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LATIN AMERICA REPORT

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ARTICLE CALLS FOR BOLD, RADICAL REFORMS IN YPF POLICIES

Buenos Aires LA NACION in Spanish 29 Nov 81 pp 1, 5 sec 3

[Article by Jorge Eduardo Bustamante: "Courage Is Lacking"]

[Text] The Oil Output Drop

We know that YPF (Government Oil Deposits) by the end of this year should have reached a borrowing volume close to \$5 billion, of which 65 percent are short-term debts.

It is also known that the productivity drop in the Argentine oil wells (11 cubic meters per well and per day) necessitates the annual drilling of 900 new wells just to maintain a level of 28 million cubic meters per year. This means about \$1 billion per year.

To meet our own needs in 1983, we will need a substantial increase in drilling and investments which YPF is unable to do considering the current price level fixed by the national government.

To reduce the financial impact of the operating contracts signed with private enterprises (35 percent of the YPF output), this enterprise will seek to operate with its own equipment, through administrative procedures, since 80 percent of the total of 42 private equipment units are inactive.

In any case, the total private output based on contract is currently less than the level reached in 1961, in other words, 20 years ago.

The problem has centered around the price charged by YPF. This enterprise is currently getting the equivalent of \$80 for every cubic meter of petroleum, whereas the international price is around \$220.

However, the price of liquid derivatives, especially automotive gasoline, is not far from the domestic figures of countries with local production (rate of exchange).

This means that YPF shares the sum paid by the car driver at the pump with the treasury in a ratio of 50:50 (according to some people, 40:60).

This is why the president of YPF has said that this enterprise sells more taxes than gasoline.

Who Gets the Excess Petroleum Earnings?

Now, is an increase in YPF prices a real solution?

The philosophy implied in the price policy now in force has been to give YPF only the amount necessary to cover its production costs, that is to say, its costs for administration and the average of its contracts, with the rest going into general revenues or funds without specific allocation.

Since YPF is nothing more than the national government itself acting in a decentralized fashion, through a government company which operates with a resource that is a part of the government's inalienable assets, whose concession was given it through the reservations on areas spelled out according to Article 11 of Law 17.319, it cannot dissociate itself from the evaluation of the various national priorities which are to be implemented.

If petroleum prices have gone up considerably throughout the world as a result of an international crisis, is it reasonable that the entire resultant "excess value" should be taken by YPF or that it should be shared with the national treasury to take care of other important requirements, such as health, education, defense, or justice?

The policy selected was to limit the revenues of YPF to those that were considered indispensable to attain a condition of self-sufficiency while the resultant "surplus" would be turned over to the national budget through taxes on derivatives; this was also tied in with a policy of borrowing.

If YPF were to have to make more investments, it could get the necessary credit taking into account the profitability of those investments and the projected level of their earnings.

The purpose of this approach is to provide money for the national budget without having to raise taxes and subject YPF to strict cost control and project evaluation, prior to its decision to borrow.

Obviously, either the prices were really inadequate or YPF was unable to reduce its costs or its excessive borrowing; currently however it is calling for an increase which would enable it to repay the debt and to get the idle operating equipment started to the fullest extent.

As in the famous gap between earnings on paper and public spending, the idea behind limiting the growth of YPF was not accompanied by a top-level policy decision aimed at parallel return to private control, with the results pointed out.

Now, an increase in YPF revenues is bound to imply a reduction in taxes (except for a small amount on the price of gasoline and gas-oil). The reduction in taxes would signify either higher real taxes on private activities or a higher rate of inflation to compensate for the drop in national treasury resources.

This means that, when YPF calls for a higher price for crude, this really means that there will be a conflict between that government enterprise and the national budget deriving from the high real figure of the latter.

Furthermore, since the national budget is not going to feature an expenditure reduction by an amount equivalent to the tax that was not collected but that should have covered its already heavy deficit with funds from other sources, the bottom line is a clash between YPF and private activities which supply funds to the treasury.

Once again, this brings us to the crucial problem of government control.

Statism and Private Activities

The Argentine Republic does not have the vast amount of capital necessary to exploit its natural resource potential. What little capital it has, moreover, is badly allocated.

In the petroleum area, we would need investments several times higher than those planned to make Argentina a strong petroleum exporter. However, since most of the areas are in the hands of the YPF and since the concession system under Law 17.319 has not been implemented in practice, we are not getting the kind of capital influx that would supplement the rather scant available national savings volume.

In the meantime, domestic private activities in all sectors are checked by the lack of capital and by competition in the fight over domestic savings, presented by the government enterprises.

The intention of increasing YPF prices means nothing more and nothing less than shifting a major proportion of savings available in private activities toward the development of YPF. In summary, it means reducing the size of the private sector and enlarging the size of the public sector.

The idea of developing the petroleum industry through YPF implies this subtraction of capital from the private sector since YPF is the result of a legislative act, not the result of savings by those who want to invest in petroleum.

Real Courage

So long as radical changes are not introduced, the problem will remain unresolved since private enterprise, overwhelmed by the weight of numerous public enterprises now in existence, enterprises which have a similar capital base, does not have additional resources, that is to say, neither for YPF, nor for itself. This is proved by the way in which the troublesome "bond" was set up with the objective of reversing the shift of earnings produced in favor of the state. A rise in YPF prices, although necessary at this point in time, would work against that, it would be a "counter-bond." Like the example of the coat that does not simultaneously cover the feet and the body, capital available in Argentina is scarce and when the state grows, the private sector loses capital and if we want to strengthen the latter, we have to reduce the former. There is no other solution.

The real courage that is needed is not the courage to implement a rate increase which would simply strengthen the growth of the state at the expense of the private companies.

The real courage consists in "uncoupling" petroleum growth from the YPF monopoly and, consequently, from the limitations on domestic capital.

Real courage consists in seeking to bring in new capital in a massive form, with the attraction represented by exports, to increase the proven reserves so that we may become members of the club of exporters.

Real courage consists in coming to grips with the taboos inherited for the past 50 years, which permitted the unrestrained expansion of the public-enterprise sector, causing inflation, high interest rates, low economic growth, and a whole series of indicators of social prostration and breakup.

This would make it possible substantially to step up exports and tax collections without sacrificing the normal development of the rest of the private activities, as befits a country which seriously seeks development through capital and risk.

5058

CSO:3010/425

ENERGY PRODUCTION FIGURES SHOW SLIGHT INCREASE

Buenos Aires LA NACION in Spanish 28 Nov 81 p 5

[Text] There were minor increases in October in petroleum and coal output, the injection of natural gas, and the generation of electric energy, according to the latest monthly report from the undersecretariats of fuels and of hydroelectric and thermal energy.

Petroleum

In October, petroleum output came to 2,44,300 cubic meters, with an increase of 0.1 percent over the same month in 1980. During the first ten months, it totalled 24,004,800 cubic meters, in other words, 1.4 percent more than during the same period of time the year before. Petroleum imports totalled 1,221,300 cubic meters or 41.8 percent less than during the first 10 months in 1980.

Coal and Gas

The output of commercially saleable coal in October came to 35,000 tons (an increase of 2.3 percent over October 1980) and the injection of natural gas was 911.6 million cubic meters (an increase of 5.6 percent).

Trade

Allocations for fuel imports during the first 10 months came to \$830.3 million (8.1 percent less than in 1980) while exports came \$289,935,500 (an increase of 148.9 percent).

Electric Power

Electric power generation in October was 2,912,483 Mwh, exceeding by 5,733 Mwh the figure recorded in October of the year before. During the first 10 months, there was a decrease of 1.6 percent compared to 1980.

5058

CSO:3010/425

OIL PRODUCTION INCREASE IN STRAIT OF MAGELLAN

Santiago LA TERCERA DE LA HORA in Spanish 12 Nov 81 p 5

[Text] The highest daily oil production in the country's history was achieved on Monday, 9 November, with the startup of the Spiteful No 5 platform, located on the deposit that bears the same name in the Strait of Magellan.

The record is 7,850.7 cubic meters, which is equivalent to 49,302 barrels of oil.

With the production supplied by this new platform, it is estimated that for this year, the total production of ENAP [National Petroleum Enterprise] will reach 2.4 million cubic meters, nearly 700,000 cubic meters more than last year. This means that our country will import 600,000 cubic meters less oil, thereby achieving large savings for the national treasury and progress in our economic independence.

In addition, it was learned that for 1982, a new increase in total production is projected, amounting to at least 5 percent compared with this year.

Recent Years

According to mining sources, crude oil imports and production in recent years have gone up and down, while consumption over the past decade has been fairly steady.

In overall figures, for example, national production in 1971 was 2 million cubic meters, while imports amounted to 3.7 million, making a total consumption of 5.7 million cubic meters.

In 1975, production dropped to 1.4 million and imports also dropped to 3.4 million, with a total consumption of 5.8 million cubic meters.

In 1977, production was only 1.1 million, imports rose to 4.1 million and total consumption amounted to 5.2 million.

In 1978, production rose slightly, to 1.2 million, and imports amounted to 4.7 million. Overall consumption was 5.9 million cubic meters.

In 1980, production totaled 1.8 million, with imports of 4.1 million and consumption equal to the previous year.

For this year, with the new announced national production figure of 2.4 million cubic meters, imports of the vital liquid should drop to 3.5 million, for it is estimated that consumption will be similar to that of previous years, around 5.9 million cubic meters.

More Oil

In addition, ENAP also reported yesterday that final studies are being made to evaluate the Almejas XE-1 well, located in the northernmost portion of the first narrows of the Strait of Magellan. Commercially exploitable oil has been determined at the well, meaning the incorporation of a new deposit into future offshore operations.

11,464

CSO: 3010/348

INSTITUTE REVEALS PLANS TO MEET GROWING ELECTRICITY DEMANDS

Quito EL COMERCIO in Spanish 13 Nov 81 p A 7

[Text] In 1980 a total of 1.28 billion kWh was used in industry and in commerce, according to the Ecuadorean Electrical Institute [INECEL], which asserts that by 1984 2.2 billion kWh will be available for basic service.

The institute explained that the consumption of electrical energy for industrial purposes has grown during the last 5 years at an average annual rate of 20 percent and for commercial use at a rate of 16.5 percent.

INECEL indicates in its master plan that since 1872 a substantial part of the income from petroleum exploitation, about 17 percent, has been assigned to the development of hydroelectric projects and to the construction of a system of transmission lines which constitute the route over which electrical energy flows from our hydroelectric sources to each and every region of Ecuador.

It adds that with these funds the Pisayambo project was constructed and the Paute project is being constructed, as are the transmission lines between Pisayambo and Quito, Quito-Guayaquil, Pisayambo-Ambato and Ibarra-Quito. The institute also reports that lines are being built to Esmeraldas and Portoviejo.

INECEL says that the use of these funds and the construction of the hydroelectric projects mentioned represent for the country a great leap from a capacity of 140,000 kW, which is the sum of all the hydroelectric projects developed over a period of 80 years, to a capacity of 750,000 kW, which is five times greater. However, this capacity of 750,000 kW, it adds, is still ridiculous in comparison to the potential which flows freely in our rivers, an enormous force of 22 million kW which is fruitlessly lost.

Of that potential, 70 percent is in the rivers of the Amazon valley with the Napo at the head, followed by the Santiago which is fed by the waters of the Paute and the Zamora.

The Electrification Master Plan, INECEL explains, will be carried out over a period of 20 years and this is the first time such a program has been carried out in Ecuador. Its implementation will be the best guarantee for the future of the country's electrical energy.

INECEL also points out that the research, execution and operation of hydroelectric projects and of a national electric system require the most advanced engineering. However, all the varied and complex technical problems confronting us can be overcome. Ecuadorean professionals, INECEL explains, are carrying out all the projects with success.

It is the financial problem which is alarming and is very hard to solve. The institute says that the building of hydroelectric projects and of the complementary infrastructure require huge investments.

9204

CSO: 3010/361

CEPE HEAD DISCUSSES EXPLORATION, SALES REFINERY

Quito EL COMERCIO in Spanish 20 Nov 81 p A 1

[Text] All the exportable national petroleum is assured a market under long-term contracts.

Jorge Pareja Cucalon, manager of CEPE [Ecuadorean State Petroleum Corporation] said that CEPE has achieved its objective of selling all of its exportable petroleum under long-term contracts. At the same time he disclosed that there is a possibility that the gas reserves in the Gulf of Guayaquil may double to 100 million cubic feet per day.

He reported that the gas plant of Shushufindi, Oriente, entered into the production test stage with a payload of 5 million cubic feet per day and that the plans for the construction of the refinery on the peninsula will be received next month.

According to the CEPE manager, the work being carried out in the Gulf of Guayaquil at this time consists essentially of research on the marine floor in order to erect the self-elevating platform and later on the production platform. They are also determining the seismic lines in the land facing the Monteverde section where the petrochemical port for black and white petroleum products will be constructed.

He reported that early in December the self-elevating platform will arrive in the country and it will begin drilling the first exploratory well.

Years ago, he recalled, in the Amisted field the ADA company drilled four wells, three of which were productive. After the departure of that company CEPE reconstructed models of the wells, gathering all scientific information "which was scattered around in the garages of the former ADA officials."

He said that on the basis of this reconstruction work we know that the Amistad field will have proven reserves of about 50 million cubic feet of gas per day. With that volume a fertilizer factory can be kept supplied for about 20 years.

The seismic work carried out by Ecuadorean technicians of CEPE has also determined that in the Gulf of Guayaquil there are seven more formations which may possibly contain hydrocarbons, Pareja Cucalon added while noting that the results of the seismic study are merely within the realm of possibility and that the actual reserves of gas and petroleum of the area will only become known after the wells are drilled with the exploration tower.

On another subject, he said that CEPE will receive next month the basic engineering plans for the construction of the new refinery on Santa Elena Peninsula. Then in the following months the construction will be put up for bids. He said that according to estimates this refinery will be completed by 1985.

He also announced that the bidding for the expansion of the Esmeraldas refinery will take place at the end of the year or in early January. This expansion will allow an increase in the country's refining capacity of 20,000 barrels per day [bbl/d] and it will permit a reduction in the import of derivatives.

Referring to CEPE's petroleum sales, Pareja said that the entire exportable production of crude, 85,000 bbl/d, is spoken for. He said that several long-term contracts have been signed to this effect: one with Petroleos de Brazil, for 20,000 bbl/d; another with ANCAP [National Fuels, Alcohol and Cement Administration] of Uruguay for 10,000 bbl/d; two with Korea for 30,000 bbl/d; one with the private company Elox for 15,000 per day; and on Wednesday a contract was signed for 10,000 bbl/d with the Citizens Energy Corporation. This was negotiated through the son of Robert Kennedy who visited the country a few months ago.

The sale was for \$34.25 per barrel, he said, while explaining that the other sales, according to the terms of the contracts, are subject to a price adjustment as soon as OPEC has fixed the new price of a barrel of petroleum.

He confirmed that all the crude in storage was sold at \$34.25 per barrel. As a consequence, he said, all deliveries of petroleum are now made under long-term arrangements.

He also reported that CEPE is in the process of taking over the Shushufindi gas plant including a careful inspection of all of the equipment. The plant is at the testing stage, delivering between 3 and 5 million cubic feet per day, which are transported by the pipeline to Beaterio in Quito.

He said that the inauguration will take place after the technicians have approved the entire plant.

9204
CSO: 3010/361

OPEC CURRENT SITUATION, STRATEGIES ANALYZED

Caracas EL UNIVERSAL in Spanish 6 Nov 81 p 2-6

[Article by C.R. Chavez]

[Text] Analyzing the current OPEC situation, Leonardo Montiel Ortega said yesterday that the effects of the oil and petroleum products glut, which began during the last months of 1980, began to be felt on the world markets by the end of the first 6 months of 1981. He said that this was the determining factor in the OPEC countries' decision, at their first 1981 meeting in Geneva, to maintain a freeze on the prices agreed upon in Bali in 1980.

"Similarly, in this meeting in Geneva, Venezuela, together with 10 other OPEC countries, committed herself to reduce her petroleum exports by 10 percent. It appears that the objective was to counterbalance the overproduction promoted by Saudi Arabia, which for her own reasons has adopted the strategy of generating an oversupply by putting on the international markets 1.5 million barrels more than it normally exports (9 million barrels per day [bbl/d]).

"Although this measure of reducing production is not objectionable in principle, as a strategy it is evident that it will take time before its effects produce a balance of supply and demand on the world market, especially as long as Saudi Arabia does not commit herself to decrease her present production. The truth is that in order to produce an immediate effect on prices, and in order to be able to consider a normal 12 percent annual increase by the end of 1981 or the beginning of 1982--which is precisely the long-term objective set by OPEC--the signatory nations, including Saudi Arabia of course, would have to withhold at least 5 million barrels of crude per day.

In real terms, this involves a decrease in production which many of the signatory nations cannot carry out because, as in the case of Venezuela, they are committed to development programs which involve financing based on the international sale of crude and refined oil.

The more serious studies point out, however, that the present glut of crude and petroleum products is temporary and that within a short time, that is to say, within the next 18 months, the structural factors which are throwing the international supply and demand out of adjustment will establish a rhythm which within the next 10 years, and possibly until the end of the century, will show clear tendencies toward a world shortage of petroleum. The factors which support this judgment, contrary to the

present incidental oversupply, will be decisive because they are based on various conditions which will restore the growth of the world demand for energy and petroleum beyond the amount added to the conventional hydrocarbon reserves year after year on this planet Earth. Among some of these conditions are:

1. The growth in world population, now 2.2 percent per year, is mostly in the under-developed countries and cannot be halted in what is left of the century.
2. The increase in the worldwide gross production and in the per capita energy consumption which have been contracting in the 80-81 period are expected to begin to come out of the downward phase of the economic cycle and move decisively in the direction of expansion. This expansion, which will begin to be noticeable by the end of 1982, especially in the developed countries of the world, will inevitably be reflected in an increase in the still growing demand for energy from petroleum sources, which in many ways continues, for technical and economic reasons, to be unsupplementable by other energy sources, natural or artificial.

In any event, it is important to take into account that OPEC, structured as it is, will for a long time continue to be the most important factor in the international petroleum supply and that it is easier for the members of the organization to reach an agreement to reduce production than it is for the high energy-consuming countries to agree on a sustained reduction of their economic growth and consumption of petroleum.

In summary, at present, the Western world is continuing to produce slightly over 48 million barrels per day while it only consumes, due to energy saving programs, among other things, 46 million bbl/d. This means that there is an excess of production over consumption of more than 2 million bbl/d. If we add to this the more than 5.5 million barrels the high energy consuming petroleum importing countries have in reserve, we must arrive at the conclusion that for the present the increase in prices by OPEC is inappropriate and that it is very difficult to bring about price increases artificially through drastic reductions in production. What is therefore appropriate is to seek and maintain in operation a strategy of uniform prices even though this new uniform price level (\$34 per barrel) may be nominally lower than the one established at the meeting in Bali, Indonesia, and at the first Geneva meeting. It must once more be recalled that the price for 34° API [American Petroleum Index] standard crude of \$36 per barrel was not agreed to by the country from which this petroleum originated, namely, Saudi Arabia which, although alone in its position, is the largest OPEC producer and one of the members which at the present time has the greatest ability to increase production. Meanwhile, OPEC should follow a strategy of reducing production which, although it will not have immediate effects, will start a cycle which can achieve the objectives of a balance between supply and demand which in its turn will enable the organization to set periodic increases in prices to balance the continuous increases in prices of goods they import and the devaluating effects of the fluctuations of the dollar, the method of payment.

OPEC should also consider the establishment of a system of additional premiums so that the uniform fixed price level would not be a ceiling but a floor, that is, so that OPEC would not limit the business of those members who are able to charge more for their petroleum. The uniform price must be a minimum and not a maximum. The latter should be fixed only by the forces of the free competitive market. However,

so that OPEC member countries do not lose control of certain markets to developed countries which are capable of exporting petroleum and are not affiliated with the organization, the system of premiums should be flexible and it should be possible to eliminate it to the extent necessary.

It should specifically be clear that any temporary price decrease to be considered should not exclude reduced production but rather it should complement it with the key objective of achieving in the short range, with the measures taken, a uniformity of prices and an annual uniform and harmonic increase of prices, so that the purchasing power of the petroleum income of the exporting countries does not decrease.

Finally, it is essential to clarify, in relation to the 10 percent reduction in production decided upon in Geneva, that many member countries have undergone this decrease (even more than had been planned), due to the decrease in the world demand for petroleum.

In relation to this problem, Venezuela's case is highly individual. Our country has never sold petroleum in the day to day spot markets and the greatest part of our exports of crude and of petroleum products is through contracts with relatively stable clients some of which value us as reliable contract suppliers, mostly under what is known as "long-term" contracts. For this reason our exports of crude have not fallen below the reduction which was programmed by OPEC and even though there exist downward pressures in world markets on our petroleum, on production as well as on price, Venezuelan production has remained within the normal pattern and prices have remained at the level fixed by OPEC (\$36 per barrel) for 34° API.

All told, the country is profiting from its position as a stable producer of petroleum, successfully riding out the contraction which the petroleum market is experiencing and will continue to experience during the coming months. This assumes that no unsettling factor such as the Arab embargo, the fall of the shah or the Iran-Iraqi war, which affects petroleum prices, will intervene.

In conclusion, in order to honor her commitment Venezuela has planned a 10 percent reduction in her exports but the country must be prepared to continue reducing its production, not only to conserve petroleum and balance supply and demand on the international markets in joint action with the other member countries of OPEC but also in order to solve the economic problem of refining which the voluminous export of residual presents. In other words, any new decrease should be made in the production of residual fuels with a high sulfur content (20 percent of the total of our exports and 70 percent of the total international sales of residuals). These residuals, in spite of being refined products, are worth less than the crude from which they are obtained and for this reason constitute one of the most serious problems of our petroleum foreign trade.

9204

CSO: 3010/330

FUEL STORAGE, SUPPLY FOR MARGARITA ISLAND

Caracas ULTIMAS NOTICIAS in Spanish 29 Oct 81 p 27

[Text] Porlamar, 28 Oct--With a storage capacity of 273 million barrels of petroleum products, the most modern fuel distribution plant in Venezuela will be inaugurated in the near future by CORPOVEN on the coast of Margarita Island.

Aware of the need for suitably meeting national demands, CORPOVEN is making important advances in the construction of infrastructure projects designed to contribute to a rational logistical plan for the distribution, transport, storage and commercialization of fuels. The Guamache Distribution plant, in Nueva Esparta state, is an example of these projects. In addition to meeting these demands, the plant will assure supplies in an efficient and reliable manner.

The site selected for the erection of this installation has a strategic location very near the highway which links Punta de Piedras with the city of Porlamar. A road 3 kilometers in length has been built to provide access to this highway.

The buildings and installations of this plant cover an area of 11 hectares on a 20-hectare piece of land. It has buildings for the administrative offices, a laboratory and a storage and testing [muestras] area. To one side is the maintenance building from which maintenance services are provided for the transport units and terminal equipment. There are rest areas for personnel from the main office and operations and for tanker drivers who will come to the installation every day to pick up fuels.

Up to the Year 2000

On the basis of projections of demand for products earmarked for this area, the Guamache plant has been given a storage capacity which will assure supplies of the various fuels it will handle up to the year 2000. To this end, Guamache has tanks for the storage of 60,000 barrels of high-octane gasoline; 80,000 barrels of medium-octane gasoline; 1,000 barrels of aviation fuel; 10,000 barrels of Jet A-1 (aviation fuel); 2,000 barrels of kerosene; 60,000 barrels of diesel fuel; 40,000 barrels of residual fuels; 15,000 barrels of liquefied gas; and 5,000 barrels of other fuels.

It should also be emphasized that in the equipping of this plant stress was placed on the installing of the advanced technology equipment required for efficient and reliable operation. Worthy of mention are the computerized systems which have been

incorporated to measure the fuel level in the tanks and to control the filling of tanker trucks, which is also computerized. In Guamache, the petroleum products loading equipment consists of pipes, filters, metering devices and lading arms for filling from the top and a new sytem for filling from the bottom. The bottom-filling system will make it possible to lade gandolas at the rate of 3,500 liters per minute, which normally means the gandola-lading process will be completed in about 12 minutes. The lading systems will permit the simultaneous filling of up to five tanker trucks. It should be stressed that in addition to speed in the lading process, this entire system is complemented by a series of measures which assure maximum safety of operations. In this regard, no product can be laded unless the gandola is in touch with land. The lading area is also equipped with a foam spray system to be used in the event there is a fire. This system can be operated from the plant's control room or directly on the lading site itself.

Marine Installation

There are marine installations in Guamache which include a platform for the discharge of tankers which arrive with products from national refineries. This platform is about 1,500 meters from the coast and will be able to handle tankers of up to 35,000 tons. A wharf for barges of up to 2,000 tons was installed at the extreme southern end, with facilities for the lading of ships' bunkers. This facility is of great importance if we take into consideration the fact that due to the existence of the Free Port, cargo ships from various regions of the world frequently arrive at Margarita.

All precautions have been taken to ensure the purity of the different products which are offloaded for subsequent distribution on the island.

On Behalf of the Environment

Precautions have been taken so that when by chance there is a spill of one or another product it will be picked up without contamination. As an example, it is enough to mention that in the tank area rainwater will be collected by means of a complex of pipes and valves which will lead to an open reservoir equipped with an oil skimmer. Water and oil products will be properly separated and used. A tree-planting and green-areas program will be implemented. CORPOVEN intends to plant vegetation adapted to the region.

The CORPOVEN distribution plant at Guamache, with a projected capability of satisfying the island's needs beyond 2000, will handle the entire gasoline retail sales market, supplies of marine fuels and lubricants for national and international flagships and will meet the requirements for aviation fuels of the Santiago Marino International Airport, as well as the demands for kerosene, diesel fuel, fuel No 6 and liquefied gas of the entire Nueva Esparta community. With a delivery capacity of about 6,600 barrels per day, the plant is designed to fully satisfy current demands and yearly increases projected to the end of this century. This means that Margarita Island has a source of fuel supplies which will meet the growth requirements of the region.

8143

CSO: 3010/412

BRIEFS

FRG TO INCREASE OIL IMPORTS--The Federal Republic of Germany is interested in Venezuela's increasing its oil exports to the FRG, according to a statement made here by the deputy minister of industry and energy of that country, Christian Otto, shortly after talking with the Venezuelan minister of energy and mines, Jose Ignacio Moreno Leon. Otto said that "Germany has great interest in buying larger amounts of Venezuelan oil." During the talk, the top energy officials reviewed various aspects of the bilateral energy relations between both countries, which are governed by the technical cooperation agreement between the Ministry of Energy and Mines and the FRG. Pursuant to the agreement, the FRG is conducting research programs into crude oil from the Orinoco oil belt in which that country has special interest. During the talk, reference was also made to the possibilities of reaching agreements in the mining sector similar to those existing in the hydrocarbons sector. Moreno Leon explained to the German official the Venezuelan pricing policy vis-a-vis the Organization of Petroleum Exporting Companies (OPEC) and emphasized that at present the most important thing is to assure a unified price policy, as a measure of this kind could benefit both the members of the organization and the consumers. The German deputy minister agreed with his Venezuelan colleague's statements and said that he concurs completely in Venezuela's position with respect to prices and in general with its oil policy and position in OPEC. [Text] [Caracas ULTIMAS NOTICIAS in Spanish 29 Oct 81 p 51] 8143

MARAVEN GAS EXPLOITATION--Maraven, a subsidiary of Venezuelan Petroleum, is planning to drill 24 exploratory wells in the Los Lanudos field, located approximately 15 km west of Maracaibo, in the State of Zulia. The exploration program contemplates the drilling of an equal number of production wells. The enterprise's teams are at the present time operating one drill at Los Lanudos field. It is expected that one additional drill will be in operation by the beginning of 1982. Maraven has just announced the discovery of a well in that area which produces 14 million cubic feet of dry gas per day from Eocene sandstone, at a depth of 1,000 meters. Maraven has initiated an exploration program for new gas reserves along with the exploration for light oil at Los Lanudos, and in its other fields in the most promising areas of the western part of the country. The most modern seismographic technology and equipment is being used in this endeavor. [Text] [Caracas EL UNIVERSAL in Spanish 1 Nov 81 p 2-7] 9204

PRESS, OFFICIAL REACTION TO BASIN INTERCONNECTION PROPOSAL

Bolivia Proposes Coordinated Planning

La Paz PRESENCIA in Spanish 30 Oct 81 p 9

[Report on press conference held by the Bolivian deputy secretary for Maritime, River and Lake Interests, Capt Gildo Angula Cabrera, Bolivian Navy, on the conclusions reached by the first Regular Specialized Technical Meeting on Interconnection and Hydrographic Basins, held in Lima, 19-23 October 1981]

[Text] Bolivia raised the need for exchanging experience, before deciding to construct large engineering jobs and for discussing projects bilaterally and multinationally, for the purpose of coordinating a joint study of projects and the execution of jobs in the future, in order to achieve a hydrographic interconnection on the continent. This proposal was made before the first Regular Specialized Technical Meeting on Interconnection and Hydrographic Basins, held in Lima between 19 and 23 October this year, to the delegations of Argentina, Bolivia, Brazil, Colombia, Ecuador, Paraguay, Peru, Uruguay and Venezuela.

In a press conference, the deputy secretary for Maritime, River and Lake Interests, under the Ministry of National Defense, Capt Gildo Angula Cabrera, Bolivian Navy, reported on the conclusions of the above-mentioned international meeting and on the stand taken by the Bolivian delegation. The technical meeting was concerned with the interconnection of the Orinoco, Amazon and Plata basins and, in addition to the countries represented, it was also attended by delegates from LAIA [Latin American Integration Association], IDB, World Bank, ECLA [Economic Commission for Latin America], FAO, INTAL [Institute for the Integration of Latin America], Cartagena Agreement Board, PNUMA [UN Environmental Agency] and SELA [Latin American Economic System]. The OAS advised the Peruvian National Coordinating Committee.

The delegations exchanged ideas on future action on the interconnection project. They decided to hold another meeting for which Bolivia offered to serve as the location and the functioning of a pro tempore secretariat was decided on, in order to ensure organization, continuity and coordination of the work started in that first meeting.

The basic work plan specified as objectives the general guidelines for conducting a study of the problems and probable solutions to South America's physical integration. The deputy secretary for Maritime Affairs said that a study of the subcontinent's physical interconnection within an overall points of view of

integrated development by means of a system for connecting the above-mentioned hydrographic basins was indicated as an objective.

He said that for this purpose the Orinoco, Rio Negro, Madeira, Mamore, Itenez or Guapore, Paraguay, Parana and Rio de la Plata routes will be considered, in addition to the system consisting of the large highway interconnections in a north-south direction, the Pan-American Highway, the Selva Marginal Highway, the Caracas-Brasilia-Buenos Aires Highway and the various road connections in an east-west direction. He also added that connection of these system with the ocean sailing system will be considered.

The plan includes a diagnostic study of the features of the continent's natural ecosystems and their socioeconomic characteristics, studies on existing transportation systems, their capacity and transportation flow.

Bolivian Delegation

He announced that the Bolivian delegation emphasized the positive achievements of the meeting, because it is the first step in an important subcontinental project. During his statements, he presented, by means of a document, the existing projects and the ones under development, associated with Bolivia's internal and outside interconnection.

He pointed out the hydrographic discontinuity owing to the presence of rapids in the Mamore-Madeira-Guayaramerin and Porto Belho stretch, in Brazil, as well as the discontinuity in the headwaters of the Itenez or Guapore with the nations on the Upper Paraguay River, consisting of crossing the continental divide of the basins of the Amazon and of the Rio de la Plata on the Do Parecis mountain range.

He stated that from the national point of view, the project for interconnecting the hydrographic basins is an advantageous option that would enable Bolivia to have access to the North Atlantic by means of the Mamore-Madeira-Amazon system and to the South Atlantic by way of the Paraguay and Parana Rivers.

Interconnection Proposal Praised

Santa Cruz LOS TIEMPOS in Spanish 23 Oct 81 p 4

[Editorial: "Interconnection of Hydrographic Basins"]

[Text] A specialized technical meeting has been held in Lima, at the felicitous initiative of the president of Peru, Fernando Belaunde Terry, for the purpose of putting in concrete form integration plans pertaining to the physical union of the basins of the Orinoco, Amazon and Rio de la Plata. This meeting, which is to conclude today, was attended by delegates from Argentina, Uruguay and Paraguay for the Rio de la Plata Basin, from Venezuela for the Orinoco Basin and from Bolivia, Brazil, Ecuador, Colombia and Peru for the Amazon Basin.

The Peruvian president's suggestion found favorable reception in international credit agencies including the World Bank, the Inter-American Development Bank, the Economic Commission for Latin America, the Latin American Integration Institute, the Andean Development Corporation, the Latin American Economic System and the United

Nations Food and Agriculture Organization and Environmental Organization, according to information coming from Lima.

The large presence of technical delegations and delegations from credit agencies attending that meeting to analyze the proposal of President Belaunde Terry, reveals the magnitude of that undertaking and its great plans that are to involve the determined attention and support of the governments concerned in implementing the objectives of hydrographic interconnections of the above-mentioned basins. Naturally, that international event is a step preceding another meeting of representatives of governments interested in the integration program, to be held shortly in the city of Santa Cruz.

The objectives of integration of the above-mentioned hydrographic basins are, as of now, very far-reaching, because, without interfering with the plans for river and highway connection of the countries belonging to each basin, that desire for commercial, industrial and economic cooperation between the Latin American countries can be materialized in such a way that it will bring about not only the incorporation of territories suitable for the many phases of development, but also for changing the living conditions of large sectors of the inhabitants of Latin America.

These prospects for geographic and hydrographic integration will find expression in the utilization of the huge natural resources that the territory of South America has and will facilitate river interconnection from the north to the south of the continent, by means of construction of the Selva Marginal Highway, a long-standing project of President Belaunde Terry, and of Brazil's effort to supply vast territories by means of the Trans-Amazon Highway.

These important objectives of interconnection are also consistent with the scope of the Amazon Cooperation Treaty, signed on 3 July 1978 between the governments of Brazil and Peru, within the framework of the subregional integration project.

With regard to Bolivia, in addition to the benefits of integration of the above-mentioned hydrographic basins, the projects for utilizing water of the Paraguay and Pilcomayo Rivers, with projection toward the Atlantic, will solve the problem of its landlocked status and will contribute considerably to its economic, commercial and industrial development.

Finally, implementation of the proposals for interconnecting the Latin American basins will be a materialization, as has been said, of the old dream of Bolivar the Liberator to see a strong, united America.

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CSO: 3010/238

BIOGRAPHICAL SKETCH OF NEW PRESIDENT GALTIERI

PY151613 Buenos Aires CLARIN in Spanish 12 Sep 81 p 4

[Text] The president appointed by the military junta, Lt Gen Leopoldo Fortunato Galtieri, was born 55 years ago in the Casero District of Buenos Aires Province; he is married to Lucia Noemi Gentili and is the father of three sons.

He began his career in 1943 and 2 years later he graduated from the military college as a sublieutenant of the engineering corps.

He was first assigned to the engineering school of Concepcion del Uruguay, Entre Rios Province, and throughout his career attended courses on his specialty in the United States and Panama.

Upon being promoted from colonel to brigadier general in 1972 he took over the command of the 9th Infantry Brigade headquartered in Corrientes, where he established friendly relations with the then governor of that province, Peronist Julio Rontero.

Soon thereafter he actively engaged in the antisubversive struggle and made an outspoken remark during a ceremony held late in 1974, saying that "to eradicate the disease, all the cells, even suspicious ones, must be excised to prevent the spreading of the disease throughout the (nation's) body."

Seven months after the military coup that ousted the government of Maria Estela de Peron, General Galtieri took over the command of the II Army Corps, replacing Gen Ramon Genaro Diaz Bessone.

In Rosair, General Galtieri maintained an easygoing dialogue with politicians and businessmen and supported the gradual participation of civilians in the national reorganization process.

In January 1979, Gen Roberto Viola put Galtieri in charge of the I Army Corps headquartered in the Palermo neighborhood of Buenos Aires.

He became commander in chief of the army as well as a member of the military junta in December 1979.

In that occasion he stated that an end should be put "to outmoded schemes, useless and paralyzing contradictions, preconceptions which hold back our potential, and limitations which restrict our freedom to act."

The report on human rights in Argentina which was prepared by the U.S. State Department became public in 1980.

Galtieri referred to that report as an interference in internal affairs but later, during the visit of President Carter's envoy Andrew Goodpaster, he said that the problems with the United States were only circumstantial ones, which are natural in "a big family."

When Ronald Reagan won the presidential election in November 1980, Galtieri did not conceal his optimism and a new period in bilateral relations began with the inauguration of the Republican candidate.

U.S. Commander Edward Meyer visited Buenos Aires in April 1981, and thereafter Galtieri traveled twice to Washington. During his second visit a month ago, he met with high-ranking officials in the Republican administration and with national security adviser Richard Allen, who said of Galtieri that he had "a majestic personality."

As commander in chief of the army, Galtieri has made several pronouncements about the conflict with Chile.

Although he always expressed hopes in the mediation being conducted by Pope John Paul II, Galtieri made harsh remarks whenever there were incidents with the neighboring country. In February 1981, he warned: "Chile should know how far to stretch the issue."

Regarding the request for Argentina to send troops to the Sinai to guarantee the Camp David accord, Galtieri said that it involved a political question, although the army had no problem in making its contribution.

"We can do that and much more. Argentina must come out of the shell in which it has been enclosed for many years," Galtieri said.

He always supported an alignment with the United States, raised his voice against the "Marxist offensive;" and in various meetings with Brazilian, Peruvian, Uruguayan and Bolivian colleagues, he called upon them to tread the road of Latin American integration.

Galtieri pronounced himself against "the indecision, or even the indifference tantamount to being accomplices, which we observe toward the systematic aggression experienced by our brothers in the continent at the hands of the same people who intended to submit us to a way of life foreign to our traditions."

CSO: 3010/472

CAVALLO DISCUSSES RECENT ECONOMIC MEASURES

Buenos Aires LA NACION in Spanish 4 Dec 81 pp 1, 20

[Text] "In connection with the measures announced on Saturday, there was never any intention of ordering massive wage boosts," Dr Domingo Cavallo, the technical secretary of the Interior Ministry told LA NACION.

"The interim president, General Liendo, is perfectly aware," Cavallo said, "that the government does not set the level of real wages and that such an increase would immediately be passed on to prices."

He made this statement at an informal meeting with a feature writer from this paper. Dr Cavallo has become widely known in recent days as the reputed author of the financial and exchange measures announced last Saturday. "I have played an active role in them, along with officials from the Economy Ministry and the Central Bank, but I am in no way the sole inspiration for them," Minister Liendo's technical undersecretary told us.

In the office where the meeting was held there is a bronze sculpture of two children, one astride the other, perched on balanced benches that are on the verge of falling. The associations of ideas came unavoidably to the feature writer's mind at this particular moment in national life.

The Little Table Had Nothing to Do with It

"The overvaluation under Minister Martinez de Hoz was due to the inflow of credit lured by the differential between the internal and external interest rates within a context of a wideranging financial open-door policy to the outside. The public sector deficit promoted this interest rate and with it the inflow of foreign capital. The increase in the foreign debt was equivalent to the aforementioned deficit," Dr Cavallo told us, adding: "The little table [tablita] had nothing to do with it, because the government does not set the real exchange rate, just as it does not set the level of real wages."

The conversation turned to the most recent measures. Cavallo, who received his doctorate in economics from Harvard University, where he returns periodically to teach, asserted that the reference rate is not a maximum interest rate. "The banks can avoid it by waiving the Central Bank's guarantee," he told us.

"But if you were a banker," the journalist replied, "you wouldn't charge a higher interest rate than that, unless you did it under the table."

"I wouldn't do that if I were honest, but of course not everyone is. But the fact is that the interest rate would have fallen in any case as a result of the influx of funds from overseas. Let's say that the reference rate merely hastened what would have happened anyway by virtue of the workings of the marketplace," Cavallo argued in reply.

Banks Can Take Down Swaps

Dr Cavallo explained to us that swap operations have evoked major interest. Moreover, for liquidity reasons, banks can be authorized to take down swaps and to lend in pesos, an arrangement that, in his judgment, will be taken advantage of.

He rejected the idea that businesses would be subject to restrictions in this regard by virtue of how they earmarked the funds. With regard to the uncertainty over the interest rate on these funds inasmuch as the reference rate is set every 30 days, Dr Cavallo commented that reference rates would be established for a longer term, up to 6 months. Thus, the banks that take down swaps will be able to coordinate foreign operations with domestic ones, thus eliminating risks.

"As you will see," he stressed, "the domestic rate cannot be far removed from the cost of the swap, say, somewhat more than one percent a month, plus the five percent a month premium for the swap, plus the bank's spread. The total is below the reference rate.

The Purpose of the Measures

The journalist commented on the disorientation among the populace because of the announcement of a virtual "little table" just a few days after the Central Bank said it was withdrawing from the financial foreign exchange market.

"The purpose," Cavallo stated, "was to eliminate or reduce the kind of uncertainty that arose during the transition period between the governments of Generals Videla and Viola. The sudden jumps in the value of the dollar and the resulting rise in the interest rate cannot happen now. These measures are in no way binding on any new authorities in the event of a change in presidents."

Economic Recovery

Dr Cavallo said that he disagreed with reducing the amount of free dollar purchases from \$20,000 to \$1,000. "This was a measure that the Central Bank had been studying," he said, trying to give an explanation. He confessed that he initially thought that it had to do only with the purchase of bills.

The conversation then turned to the reaction of savers to the fall in interest rates. Cavallo acknowledged that part of the deposits would be used to purchase

durable goods or real estate, adding, however, that the money would in any case remain within the financial chain.

"Yes, agreed," the journalist said, "but the amount of money in real terms will decrease because it will be rising less quickly than prices. "To an extent, but not overly so, " Dr Cavallo replied, "inasmuch as the main effect will be to boost sales more than prices, although it will push the index a bit higher."

"The ultimate solution is to shrink the deficit, and we are working on this. The interim president has given very precise instructions to the governors, and the entire public sector grasps the problem very well."

The interview concluded with the assertion quoted at the beginning of this article about the massive wage boosts. Dr Cavallo leaves this morning for Cordoba, which in light of the general conjecture of recent days could mean that we will be enjoying a calm weekend as far as the economy is concerned.

8743

CSO: 3010/424

FARM ENTITY VIEWS NEGATIVE CONSEQUENCES OF ECONOMIC MEASURES

Buenos Aires LA NACION in Spanish 3 Dec 81 pp 1, 13

[Text] The Argentine Rural Society, the Argentine Chamber of Commerce and the Confederation of Rural Associations of the Rosafe Zone (CARZOR) have issued disapproving judgments on the recently adopted economic measures.

Each of the organizations issued statements, which we are publishing herewith.

Interests Harmed

"Given the delicate situation that the country is in, the Argentine Rural Society has a duty to formulate remarks that it deems indispensable.

"We cannot and must not lose sight of the historic act represented by the Armed Forces intervention in March 1976, for the basic purposes of the National Reorganization Process: to put an end to the guerrilla war and the widespread terrorism and to bring about the sweeping changes that the nation needed to genuinely rejoin the developed world in keeping with its socioeconomic potential.

"The protectionist and nationalizing policies, based on giveaways and subsidies, that were pursued for almost four decades have brought about the formation and growth of faulty economic structures that cannot be rectified without sacrifices, which are possible only when spurred on by a very firm will and an unfaltering devotion to the homeland.

"These projected changes have adversely affected interests in all sectors, and therefore these sectors have defended in one way or another the nationalizing trend that has kept them going and have exerted pressures that have contributed greatly to departures from the spirit and letter of the initial program.

"The economic measures announced over the past few days worsen the outlook significantly and give the impression that the nation is abandoning the original guidelines of the National Reorganization Process and again taking the path of populism, whose negative repercussions on our production structure have been historically proven in practice.

"The country cannot continue to flee from reality or to suffer the degradation of inflationary solutions that give the populace false hopes.

"The cause of our ills has been perfectly and repeatedly diagnosed. It remains only to assume the responsibility and make the indispensably courageous decisions.

Inflationary Outlook

"Only the demands of the current peculiar political circumstances can explain, though not justify, the recent financial measures.

"In evaluating them, we should bear in mind that the background to them is an outlook in keeping with a series of prior inflationary measures.

"With regard to financial interest rates, we are returning to fixed rates that entail subsidies for borrowers at negative rates at the expense of depositors. The effects will be:

- 1) To discourage domestic savings, which is the only source of economic growth;
- 2) To bring about a poor allocation of resources as a result of tampering with the workings of the marketplace;
- 3) Credit will become a privilege, with the resulting consequences.

"The establishment of virtual inflation-adjusted exchange insurance can only be explained by a desire to narrow the gap between the financial and commercial markets, in order to pave the way for their eventual merger at an as yet undetermined time. Once again this is an attempt to rectify the consequences of a prior state intervention policy by introducing interferences with the workings of the marketplace, thus creating new links in the chain of state interventionism, which shackles the private sector of the economy.

"Combined with fixed interest rates, this measure guarantees an attractive return to foreign investors at the expense of local investors, who are condemned to sacrifice part of their savings to maintain this financial setup.

"If we bear in mind that fixed interest rates and a swap system were essential elements in the financial structure that led to the chaos in 1976, we cannot but stop and think that we will have to reassume our original policy if we want to accomplish the lofty objectives for which the Armed Forces intervened in 1976.

"In light of the latest economic measures, which clearly entail state intervention and are a repeat of similar sadly remembered policies, the Argentine Chamber of Commerce feels that the country must be told whether they represent a modification of the objectives of the National Reorganization Process or a unilateral decision."

"State-Intervention Development"

Rosario--The Confederation of Rural Associations of the Rosafe Zone (CARZOR) has described as "interventionist" the government's recent economic measures and has called for the replacement of all officials in charge "so that we can extricate ourselves from the dilemma that they are unquestionably going to get us deeper and deeper into."

CARZOR contends that "the government's recent economic measures represent an inexplicable furtherance of state-intervention development, which has an adverse impact on production sectors, especially agriculture and livestock, which continues to be punished and engulfed, with much of the full price of its output held back."

It then stresses that "government intervention is the ill that plunged us into the serious problems that we are now having, and unbelievably enough the government continues to make this extremely grave mistake, as if our experiences were not enough to learn from. Growers can endure this no longer and demand justice in the marketing of the output from their shattered activities. The latest exchange regulations are the coup de grace. Contrary to our hopes, we will have to sell another fine grain harvest at giveaway prices, made totally unrealistic by the commercial exchange rate that is unjustly fixed for us and contrary to everything that is soundly and reasonably suggested to help us contribute to the resurgence of the national economy with our production and financial support."

8743

CSO: 3010/424

'OBSERVER' COLUMN NOTES DYNAMIC BEGINNING OF LIENDO

Buenos Aires LA PRENSA in Spanish 26 Nov 81 p 16

[Text] The magnitude of the political impasse in this country has meant that the questions raised about the future have distracted attention from the surprises presented by the present interim government.

The essential question, which for now is the subject of conjecture and hypothesis, is whether the president's illness and his consequent temporary relief from power, are the real and genuine cause of the crisis, or on the contrary, if this has just been an excuse for unseating him. In other words, we are trying to elucidate whether the physical problems of Lt Gen Viola are the effective cause or merely the formal cause of the crisis. To answer this question, the mere fact that the disease exists is not sufficient, so the question remains unanswered.

The matter is of crucial importance, because the consequences will depend on which is true. If the illness is the real cause, the crisis will be resolved with the president's return to power after an obligatory period of rest and convalescence. But if that is not the case, the fact of the illness could be used for a future change in the presidency, on the pretext of his prolonged disability. It is well known that some who put forth the latter hypothesis do not discount an eventual modification of the current power structure.

Dyanamic Interim Administration

The natural interest aroused by the situation we have outlined has led to a second concern, the development of the interim administration led by the minister of the interior for the last 5 days.

However, no one has failed to notice the dynamic impulse Gen Liendo has given the government in such a short time, something the majority of political observers have been well aware of. Accustomed as we are to a lumbering administrative mechanism, which is not entirely imputable to the president in office because in large measure it appears to be the result of the very structure of the current system of government, we have no doubt that the initial impulse of mobility the new replacement is trying to give has surprised public opinion.

Formal and informal cabinet meetings, sometimes numbering as many as three a day, have an unusual tone of urgency that at first glance appear more like a definitive or permanent change than a limited, temporary replacement.

If in addition to that we consider the interim president's expressed interest in getting to know the details of government and the progress of important matters in the various ministries, as well as his categorical announcements on holding down public spending and issues as delicate and technical as the partial de-indexing of mortgage loans, we can see the incorporation of new ingredients in the government which go much further than a mere continuation of an administration.

Government Program and Interim Status

We must ask ourselves, not without a certain note of surprise, whether this vigorous shake-up of the clearly stagnant government machinery does not go far beyond the prudent limitation that might be expected of someone who has not been appointed president, but will occupy the office only temporarily during an interim period that should last no more than a few weeks, according to the most optimistic calculations.

We seriously doubt that the function of an interim president can include the formulation of government plans, even though they involve specific issues. The precarious nature of his interim status, limited to short periods of power, does not go along with projects of such great importance, which demand the support of a definitive appointment, one lasting for a longer period.

Good sense dictates that any interim chief executive limit his few actions to the signing of routine dispatches and attention to urgent matters, for the sole purpose of keeping the administration moving smoothly and avoiding delays in decisions that cannot be postponed.

Unusual Requirement

Among the innovations that have characterized the interim president's actions there have been a few very curious situations. One of them is the unusual requirement that the other members of the cabinet "report on or mention by area the most important problems at present, for the purpose of solving them."

There is no clear explanation of the meaning of this request, which comes not from a newcomer to the government but from someone who as minister has been participating in cabinet meetings for 7 months and thus must be very familiar with the most important matters his colleagues are dealing with. Such a request for reports is truly curious, in that it implies no less than a public confession of ignorance of the affairs of state that must certainly have been analyzed and debated in the administration of which the new president was a member as minister.

The impression produced by these events is that there is a desire to create an image different from that of the sick president, whose parsimonious personality and low-key style helped accentuate the obvious slow pace of the lumbering administrative machinery.

We cannot help but note that if this situation really exists, the disability that called into question the president's ability to remain in office must have been due to something more than physical illness.

But aside from these speculations, what is clear is a desire to appear to shake things up--not yet confirmed by deeds--in the paralyzed administration. The interim president's ostentatious statements in this regard have not yet yielded tangible results. It might be appropriate to quote here the comment by a soccer announcer about a player's debut on a team: "During the minutes they have been playing, so-and-so has already run several kilometers, but he has not yet touched a single ball."

8926

CSO: 3010/376

BIOGRAPHIC DATA ON INTERIM PRESIDENT PUBLISHED

Buenos Aires LA NACION in Spanish 21 Nov 81 pp 1, 6

[Text] Maj Gen Horacio Tomas Liendo, the interior minister, will be taking charge of the Executive Branch after having had a brilliant career in the military and serving as labor minister from 1976 to 1979, when he took over as chief of the Army General Staff.

The 57-year old Liendo was born in the city of Cordoba on 17 December 1924. On 2 August 1943 he entered the Military College of the Nation as a cadet, graduating on 22 July 1947 as a second lieutenant in the communications branch.

His first post was Communications Battalion 4, where he remained very briefly, as he was assigned to Communications Battalion 6 on 24 December 1947. He was promoted to lieutenant 2 years later and in 1950 took the advanced course for communications officers. He reached the rank of first lieutenant in December 1951.

In 1954 he took the preparatory course for the Superior War School, entering there on 20 January 1955 and graduating in 1957 as a staff officer of the school and assigned to the command of the Fourth Military Region. In 1958 he held various posts in the Army Staff. On 7 December 1959 he was appointed second in command of Communications Battalion 4, where he had had his first assignment.

He was promoted to major in December 1960 and served in the Communications Command until 1962. He then headed for the United States to take the command and staff course, remaining there until August 1963. He was promoted to lieutenant colonel in December 1965 and then held various posts in the General Staff. He was promoted to colonel in December 1970. In 1971 he was named director of the Communications School, and in 1974-1975 he served as second in command and interim commander of his branch.

Liendo earned his general's stripes in December 1976 and from then until 1979 he served as labor minister. On 18 December 1979 he was appointed chief of the Joint Staff and on 31 December of the same year he was promoted to major general.



Maj Gen Horacio Tomas Liendo

8743

CSO: 3010/357

FORMER GOVERNOR SCORES MILITARY GOVERNMENT

Buenos Aires LA PRENSA in Spanish 23 Nov 81 p 2

[Text] Santa Rosa, La Pampa--The former governor of La Rioja, Carlos Menem, acknowledged that during the last Peronist government "there was a kind of excess," and asserted that Economy Minister Jose Martinez de Hoz "did more damage to the country than the former minister of social welfare, Jose Lopez Rega, who is currently a fugitive."

In statements published in the daily LA ARENA, Menem says that the Justicialist movement "is the largest and most solid movement in political Latin America," adding that its "growth upsets many who had bet on its demise."

He indicated that internally, "labor union power was never subjugated to political power."

With regard to the dialog with the government, he explained that "agreements are made or rejected depending on what the majority decides," and that his opposition to that meeting is based on the fact that "there can be no dialog with those who are responsible for the disaster in this country."

Concerning the multi-party proposal, he stated that "if there had been an attempt to resuscitate the regime it would have failed irremediably," although he stated that "so far it has met its obligations."

He pointed out that the last Peronist government "was too soft from the leaders' point of view," and that there was "a kind of excess," recalling the "many work stoppages and strikes, not only in the labor sector but also among management."

He argued that even a democratic government "must curb certain attitudes."

Mentioning the Lopez Rega case, he indicated that Justicialism committed a crass error, and added that he understood that "Martinez de Hoz did more damage to the country than Lopez Rega, but the former is still in the country, completely at ease, after having blown it."

Subversion

Later he said, "Here we have a less bloody subversion, the economic subversion that has done more damage to the country than its earlier counterpart."

He admitted, however, that "armed subversion did do us a lot of harm," recalling that "Justicialism had given the Armed forces all available means to combat it."

In this regard, he called for "the implementation of Operation Independence," and stated that a "Peronist general, Gen (Acdel) Vilas," should be in charge of it.

8926

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UCR LEADER SCORES GOVERNMENT INEFFECTIVENESS

Buenos Aires LA PRENSA in Spanish 16 Nov 81 p 7

[Text] San Pedro (Buenos Aires)--"We must delve into the crisis in order to come up with the great solutions that the country urgently needs, in light of a regime that is rapidly splintering and crumbling, undermined by its own blunders," said Dr Antonio Troccoli at a function in this city that was sponsored by the Commerce and Industry Center, the Rotary Club, the Electrical Services Cooperative, Banco de la Ribera Cooperativo and the Lions Club.

He analyzed the "debacle" of the Argentine manufacturing industry, which posted a 14 percent decline for the second half of the year. He asserted that "we are witnessing an accelerated process of liquidation and immersed in an unprecedented crisis in which the incomes of Argentines have fallen violently and inevitably, with the aftermath of dangerously high unemployment, as we are being oppressed and devoured in a vicious circle."

"They Do Not Want to Acknowledge the Grave Emergency"

He said that the military "does not want to acknowledge the grave national emergency" and he harshly criticized the performance and statements of Economy Minister Dr Lorenzo Sigaut, statements that suggest that "we Argentines will have to endure even worse times than at present."

He recalled "the great economic tragedy of the 1930's and the current crisis," clarifying that the former was largely caused "by external factors," whereas today's crisis, "aggravated by the gangs of speculators, is similar to the 1890 crisis with its hallmark of corruption," and adding that "there are \$60 to \$70 billion speculative dollars."

He went on to say that the crisis "will last for the next few cycles" and that "even if businessmen had all their debts canceled, they would be back in the same situation in 6 months because of the sluggishness of the domestic market. This economic policy cannot be remedied with another economic policy because the credibility of Argentina's destiny has been impaired" [sic].

Law of the Jungle Prevails

He spoke out against "the corporative assaults and the law of the jungle, which must be abandoned. If we take a couple steps more we will find ourselves beside Bolivia, which has vanished, its foundations rotted. Argentina is on the verge of falling into that abyss, after which the sectors will turn cannibalistic and fight over the remains of the republic."

He declared his "religious respect for the institutional judicial order," again criticized 6 September 1930, "which shattered 68 years of constitutional normalcy" and praised the Constitution of 1853, "which presided over the Argentine miracle." He voiced no opinion on the periods from 1943 to 1956 and from 1973 to 1976, asking "for what reason the Armed Forces want power when all they have given us is decadence" and adding that the UCD [Radical Civic Union] "backs the Church's call for reconciliation and expresses its agreement with the episcopal appeal."

He concluded by saying that "this is the devil's cauldron, and we have gotten to the point where a poorly lit match could plunge us into tragedy. The Armed Forces cannot act against Argentine society. We must found a new republic, as several enlightened men did more than a century ago, because if there is a continuing struggle between the extremes of the Right and Left, we could lose the chance for a democracy."

Press Conference

Troccoli spoke with newsmen yesterday and referred to his failure to mention the tyrannies of 1945-1955 and 1973-1976 in his speech on Friday. He said that he had considered "the Argentine political spectrum as a whole" and that "if that episode were repeated, Radicalism would once again take its political stand of constant criticism and heroic struggle, as it did until 1955."

With regard to the revolution of 1930, he said that "it led to instability in the democratic process, brought civic decadence to Argentina, which it fragmented, and marked the end of conservatism, which by 1928, in view of the ineffectiveness of Yrigoyen's second term, was set to win the election and was seen as a democratic alternative."

Government Guidelines

When asked what he thought about "the guidelines of the national government," he replied that the 1964 Illia statute and its modifications in 1970 were the only thing that ought to be kept in mind. He acknowledged the existence of the political ban but added that "we cannot be subject to the moods of the acting chief" and that "even if we break the law, we have to accomplish the task and face all risks."

He pointed out the varying positions within the Armed Forces on the Multi-party Commission, noting that some "saw it as an orderly process" and others as "a tool of unrest." He went on to say that "it was a coalition of good judgment, and we are going to follow up our move to its ultimate consequences." In conclusion, he said that he did not believe in "one-person leaderships," an obvious allusion to Admiral Massera.

8743

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SCHONFELD DESCRIBES POLITICAL MALAISE AFFECTING NATION

Buenos Aires LA PRENSA in Spanish 17 Nov 81 p 16

[Article by Manfred Schonfeld: "The Confrontation Among Power Groups"]

[Text] The thinly veiled confrontation between the commander of the Third Army Corps, General Nicolaides, and the provincial authorities of Cordoba (over the statements that the Cordoba UCD [Radical Civic Union] made against the policies of the current regime) is something more than just an incidental development.

It is one of the many signs that have been accumulating alarmingly in recent times and that all point in the same direction, indicating to the most objective and least passion- or prejudice-blinded observer that the country plainly and simply does not have a government.

At best, or perhaps we should rather say at worst, it has power groups that at times and depending on circumstances work together or, on other occasions, are in open or behind-the-scenes confrontation, even hostile confrontation.

The "affair" among the UCR, General Nicolaides and the government of Cordoba (an odd triangle of power groups) is thus more than illustrative of the complete disarray that reigns in Argentina.

The Power Structure and How It Was Violated

According to the prevailing power structure, General Nicolaides was not supposed to have spoken out against the remarks by the Cordoba Radicals, inasmuch as it was, apparently at least, not incumbent on him to do so.

Regardless of how absurd and inexplicably complex this structure is, there is a provincial government that comes directly under the national government, though the two are neither constitutional nor popularly elected.

For its part, the national government comes under the Military Junta, which in turn rests on the logically pyramid-like upper echelons of each of the three Armed Forces branches, echelons of which the junta is the summit.

Therefore, although a major general performs an important function, commanding one of the country's army corps, not to mention his unquestionably important rank, he is still just one of many members of an upper echelon of one of the three branches.

For personal reasons he might have particularly strong influence among his comrades in arms or in rank. He might be a confidant of his commander in chief or even of the junta itself, but once again this is a personal and always unofficial matter. But even if this were true, it does not excuse him from showing an elementary respect for the established hierarchies, and not only for the established hierarchies but for the very structures of power as well.

Therefore, if he feels that a security law has been violated by whomever and if, in his judgment, the local authorities are not doing anything about it or have not reacted properly, he can avail himself of the normal channels that the current power structure provides for him (or, if he wishes to act more expeditiously, he can make use of his personal connections, to the extent that they are of help to him) in order to report the alleged omission by the provincial government.

What he can never do is talk or act publicly on his own, because this is tantamount to stating openly that he, as commander of the army corps in that region, is the real authority in the province, not the governor, its ministers or, hence, even the national government from which the provincial government in question emanates. In other words, this is tantamount to a clear-cut transgression of the power structure.

The Sad Reality

But these are just theoretical digressions, because in keeping with the sad reality in our country, which I have already described as marked by the absence of a government, General Nicolaides's approach is perfectly logical. In point of fact, he represents the real authority in Cordoba, and this in no way applies just to him.

For some time, since the very outset of the "process," the commanders of the army corps have acted in their respective zones with the force of a parallel authority, which has been curbed only when the province or provinces in question have been assigned to governors belonging to one of the other two branches, the navy or air force, in other words. Their authority has been redoubled, however, when a general has been governor, especially one ranking lower than the acting commander in the zone.

Political Absurdity

The subject of my comments represents an intrinsic institutional paradox and a political absurdity.

The comments by the Cordoba UCR are neither more nor less critical of the country's political leadership than other similar remarks that the UCR has made previously or that other political parties or movements have made.

What is more, in theory, all of these statements lack what we could describe as "official validity," in legal terms, inasmuch as the parties do not exist, and what does not exist cannot make statements (Although you cannot "dialogue" with someone who does not exist either, which has not stopped the so-called "dialogue" from being a flourishing and ongoing development amid the disarray that prevails in the country).

Be that as it may, in the case at hand it is obvious that a purely military authority has taken advantage of the opportunity that a supposedly "non-existent" political force has inadvertently given him to take a shot (out of vanity and through the provincial authorities) at what we could call the governmental authority, even though this too is of military origin, albeit obviously from another sector, another time frame and another clan.

Two Military Sectors: The Old and The New

As we can see, this is a simple confrontation between power groups: The "old," bureaucratic military sector that in light of the complete failure of its economic team's clumsy juggling act, is seeking to ally itself with the "popular" political parties and with the unions, is being attacked by the "new" military sector (which as yet lacks a bureaucratic offshoot because it has not yet come to power but which, as soon as it does, will have one before long too), which does not regard this kind of futile party-union alliance as necessary or even feasible.

If we want to attach names to these sectors, we could mention Viola and Liendo on one side and Galtieri and Nicolaides on the other. It is not hard to guess which of the two factions is in a winning position. The latter has simply undergone less wear-and-tear than the former.

The Big Loser: The Country

It is not hard either to predict that the big loser in this kind of confrontation will be the country.

As I have been stressing for some time now, the "process" has had it. It has fallen apart because of serious internal ills, because of extravagance, because of the damage done to the country's economy and to public and private finances, because of the preservation of costly and totalitarian economic structures that benefit castes that are parasitically entrenched in them, because of a crude flaunting of irksome social insensitivity, because of an irresponsible foreign policy and policy for defending our national sovereignty and for many other reasons that I would tire of listing over again.

These internal rivalries in the army are now going to administer the coup de grace to the Armed Forces' public image, an image that in times of external danger (which exists) and of a possible return of the internal danger (which will happen) ought to be spotless. But this is impossible when small power groups face off against each other to cover up the absence of a real government.

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MASSERA'S INFLUENCE AFFECTS NAVY PROMOTIONS

Buenos Aires LA PRENSA in Spanish 17 Nov 81 p 9

[Text] Bahia Blanca, Buenos Aires (NA)--The local morning paper LA NUEVA PROVINCIA devoted its Sunday political commentary ("Cronicas de la Republica") to an analysis of the year-end promotions in the Armed Forces, asserting that in the navy "there has been a drastic displacement of the people who identified themselves the most with the leadership of former Commander in Chief Adm Emilio Eduardo Massera."

Referring to the promotions and reliefs in the army, the paper contends that the pertinent decisions "will not be made until the week of 4-11 December."

LA NUEVA PROVINCIA asserts in this regard that "there are those who see a relationship between this new decision-making period and the doubts that have allegedly arisen in military circles about the scope of the commitments that Lieutenant General Galtieri might have taken up during his trip to the United States."

The paper then voices the view that "within the Armed Forces the most prominent development has been the reorganization of commands in the navy."

It underscores in this regard that "it is obvious to observers that there has been a drastic displacement of the people who identified themselves with Massera," pointing out that "at virtually the same time invitations were circulating in Buenos Aires to a dinner at which books by Admirals Massera and Armando Lambruschini are to be made public."

"The dinner will be attended by both former commanders in chief, and Dr Eugenio Pucciarelli, professor emeritus at the University of Buenos Aires, will reportedly be in charge of presenting the books." It goes on to say that the function "is being organized by the Foundation for the Study of Argentine Problems (FEPA), which operates within the framework of the political force that Massera has organized."

The Air Force

Lastly, LA NUEVA PROVINCIA analyzes the situation in the air force, contending that it will disclose its appointments "between the 20th and 25th of this month."

"All reports so far are in agreement," it states, "to the effect that Brigadier Maj Basilio Lami Doro will be taking over as commander."

The local paper says in conclusion that "there is speculation that Brigadier Juan Garcia will take over as chief of staff, that Brigadier Wehber will take up the post of operations commander and that Brigadier Rodolfo Guerra will continue as secretary general."

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IMPLICATIONS FROM REFINANCING BOND REVIEWED

Buenos Aires LA PRENSA in Spanish 26 Nov 81 p 13

[Text] The regime's sanction early this month of the refinancing of businesses, and the subsequent regulation of that refinancing, raise a number of questions about the incident concerning the future dynamics of the financial system and the effects this mechanism will have on the development of interest rates.

According to a study on the origins and distribution of the money supply by the Universidad Argentina de la Empresa, the implementation of the bond at first will temporarily eliminate some of the financial problems plaguing many economic sectors. It will also mitigate the effects that a significant number of financial institutions might feel as a result of not being able to collect their bills past due, some of which are considerable.

However, the above-mentioned refinancing system is in addition to the deposit guarantee system, a means to overcome the difficulties deposits present for bringing down the cost of money. If that mechanism had not been implemented, though, the inability to solve the financial problems of the beneficiary companies might have become a potential element of destabilization in the financial system, even though that could mean a purge of the market, eliminating factors that distorted the cost of money.

Moreover, the immobilization of nearly half the system's credit portfolio, while constituting to a certain extent a sort of increase in the cash reserve, differs from the strict concept of that reserve. In fact, while the position of the minimum cash balance that arises from the reserve requirement varies as a function of the volume of the portfolio of deposits, although it is a fixed coefficient (18 percent) the immobilization of debts constitutes a mobile reserve coefficient to a certain extent, which is implicit as a function of the "adjusted debt refinancing/-portfolio of deposits" ratio. Given that the refinanced debt is adjusted by Circular 1050, to the extent that that index increases in the same proportion as the deposit portfolio, the "implicit" reserve will remain unaltered.

The Spread

If there is an increase in the implicit reserve (growth of Circular 1050 Index greater than increase in deposits), the level of the gross spread of the businesses will be affected in an inverse proportion. The opposite (an increase in

the gross spread) will take place if the level of the implicit reserve drops, or in other words if there is an increase in the deposit portfolio higher than the adjustment of the refinanced debt due to Circular 1050.

Thus, there are two aspects of the implementation of the bond that will influence the cost of money. Given that the spread the financial institutions will receive because of the refinanced debts (9 percent a year) is considerably less than the levels currently observable on the market, the financial institutions will try to recover their total profitability through an increase in the spread of their cash and bank deposits, which will lead to an increase in the rate of assets. Nonetheless, the business refinancing system, by alleviating pressures on the loan market, under the current recessionary conditions will allow this increase in the rate of assets to be limited by the elasticity of credit demand in relation to the cost of money. However, if the demand for credit is reactivated, this policy would have fewer restrictions. Thus, the other element to be taken into consideration in the financial institutions' policy to improve their profitability would be to reduce the "implicit" cash reserve by augmenting the portfolio of deposits above the variation of the Circular 1050 Index. This circumstance would also restrict any sustained decline in interest rates, given that the desire to increase deposits would limit the reduction of the rates compatible with a drop in the rate of inflation.

Financial Situation

The situation on the financial marketplace in the first 2 weeks of November revealed a significant dispersion in the development of the two exchange markets.

This circumstance, according to the analysis by the Universidad Argentina de la Empresa, came about at the end of last month when the Central Bank of the Republic of Argentina ceased regulating the market after several months of indirect control, manifested in an infusion of dollars to meet a growing demand vis a vis a severe shortage of foreign currency even for normal requirements.

In addition, the expansion of monetary resources in early November translated into declines in nominal interest rates, which could imply a greater inclination toward the dollar market, which has become a more profitable investment.

In that sense, we must consider the effect on fixed-term investments of the acceleration of the growth rate of consumer prices (because of meats and public rate adjustments) at the end of November.

In October, moreover, there was a deceleration in the degree of liquidity. That is reflected in the bidding on Treasury Bills, in which the amount offered was much less than what the Treasury needed.

The lower bids were evident particularly in the last 2 weeks of the month, and by the end of the month the situation became so severe that cut rates were raised. This drop in liquidity also resulted in successive increases in the sample rate.

This trend was reversed around the first week of November, in view of the growth of monetary reserves. There was a large supply of funds, and cut rates on bidding for Treasury Bills dropped, while the market rates began their decline.

This greater supply of Treasury Bills could have been brought about to a certain degree with funds left over from call operations, because it would have been cheaper.

Nevertheless, by the end of the second week of November a certain slowing of the decline of rates began to be apparent, the economic authorities having arbitrated those rates in view of the pressure to buy dollars.

With regard to financial investments, furthermore, in October there was a significant recovery for External Bonds, with a yield of 13 percent more than the consumer price index, a reflection of the instability of the foreign sector. The dollar followed in order of importance, yielding a 3.9 percent profit in money-exchange offices.

The stock market also showed positive yields of about 2.5 percent, while fixed-term operations provided a positive alternative of 1 percent.

Gold investments stayed practically the same in relation to the growth of consumer prices; there were some declines on the market, while the old pound and the Elizabeth pound had positive yields.

Adjustable government obligations represented a real negative yield of -3.7 percent because of the deceleration of resources and the rise in interest rates.

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TRADE MINISTER EXPLAINS EXPORT PROMOTIONAL PLAN

Buenos Aires LA PRENSA in Spanish 26 Nov 81 p 14

[Text] The minister of foreign trade and maritime interests, Dr Carlos Garcia Martinez, confirmed that his ministry, at the request of the president of the nation, drew up a program to promote exports, based on a more permanent and organic system, and presupposing major changes in the economy.

The trade minister made these statements to the press at the end of a meeting he had with provincial economics ministers. At that meeting the constitution of the Federal Trade Council was finalized, and matters relating to external and internal trade were discussed.

When asked about the promotional program for exports drawn up by his ministry, he stressed that it is not an economic program but a plan to reactivate Argentina's foreign trade.

He acknowledged that the program was designed at the request of President Viola, and that it is included in the objectives of the Military Junta.

Furthermore, Dr Garcia Martinez pointed out that at present the program is being studied by a commission made up of undersecretaries in this area, later to be sent to the other members of the economic team for final instructions.

Program

The "Program for the Promotion of Exports and Industrial Reconversion" presented by the trade minister to the members of the Military Junta, represents an attempt to create a "great idea-force to bring the country out of its recession, to create major incentives for a significant structural change, and to project the national economy onto the world scene," according to the explanation Carlos Garcia Martinez made on presenting the plan.

The program, which envisions a maximum initial tariff reduction of 25 percent and direct subsidies to the basic industrial sectors, proposes an "adequate and realistic" exchange policy and the imposition of "monetary discipline" to complete the system that modifies the text of 33 laws and 45 decrees regulating economic activity.

The contents of the program were revealed by an official source.

Presented in its original form to President Roberto Viola and the members of the Military Junta before the president's health problems became known, the program is now being studied at the Office of the Army Commander in Chief. A month ago the commander in chief approved the general features of the plan, according to high-ranking sources at the Ministry of Trade.

The government is now undertaking a study of various secret documents numbering some 80 pages in length, the first 11 being a message from Garcia Martinez regarding the objectives of the project.

The complete text of the document was analyzed at a recent meeting of undersecretaries of the five ministries in the economic area, with the coordination of Trade Undersecretary Jorge Caminotti. At the end of that analysis, after acrimonious arguments, it was concluded that the proposal should be complemented with a monetary and fiscal strategy in order to integrate an overall coordinated economic plan.

Garcia Martinez, according to the text of the project, feels that the program he is proposing "will enable us to regain our faith and confidence in the future of the country, also preventing the nation from falling into ultraprotectionist, inflationary and statist policies."

Competitive Economy

The project, which was presented to the other members of the economic cabinet under the title of "an export promotion program," without the annex that sets forth the tariff policy, so as not to damage "susceptibilities" in the Finance Ministry and the Ministry of Industry, promotes "a change in provincial and labor legislation to place the national economy in a position to compete on the world market."

The plan has been endorsed by traditional bankers and leaders (both foreign and national) of the financial system, according to high sources at the Trade Ministry.

The introduction of the program, written by Garcia Martinez himself, sets forth 12 basic objectives, including the achievement of an expansion of exports (regional, agricultural and industrial), "such that they can become a locomotive for the economic development of the country," and "the promotion of a great process of reconversion, modernization and expansion in the so-called basic industries."

The document's declaration of principles adds that "the incorporation of foreign investments must be favored," and "strong growth in the demand for industrial products should be promoted," as well as inducing "a growth in the efficiency of state enterprises."

Garcia Martinez contends that "the massive modernization of the rest of the country's productive structure should be encouraged," to expand the scale and capacity for technological innovation; "transportation, port and communications infrastructures should be developed through stimulating demand;" and "internal economic integration should be stimulated."

The program, which repudiates "tariff barriers or other practices that totally impede growth in the productivity of the economic system," proposes, in order to ensure that the reduction of costs is effectively passed on to the economy, "a tariff reduction of a maximum of 25 percent for all non-subsidized products" from the beginning of the explicit subsidy program, granted to the basic sectors in the amount of \$2.33 billion.

Exchange Rate

In addition to promoting an adequate and realistic exchange policy, the plan calls for "an exchange rate without overvaluations or undervaluations" to accompany the tariff system.

To encourage an increase in exports and promote the efficiency of the basic industrial sectors, the program includes the reimbursement of indirect taxes through 10 percent rebates to industrial manufacturers (and regional products) and one of 5 percent for agricultural products.

These tax rebates will take the form of credits on gross income taxes, the social contributions made by employers, taxes on energy and transportation, taxes on official seals and unified internal taxes.

The system, whose technical aspects were drawn up by an institute that functions within the economic cabinet and is not the Central Bank, establishes the application of direct subsidies to the iron and steel, petrochemical, paper and sugar sectors, for a total of \$2.33 billion.

This direct government contribution to these sectors, like the tariff program, would be gradually cut back over a period of 5 years. At the end of that period, the direct subsidy would not be eliminated and protection would be equal to zero.

During the first year of the system, the iron and steel industry that produces plate products would receive a subsidy of \$359 million, while the firms that produce non-plate products would receive some \$364.8 million. Firms that produce non-ferrous materials would receive \$175 million.

Inefficiency in Paper Production

The original subsidy envisioned would total \$244.9 million for paper production, to which would be added \$32 million in contributions to make up for the inefficiency of local newsprint production.

Finally, in the first year the petrochemical industry would receive a state contribution of 157.2 million pesos, and sugar mills would get \$300 million.

These funds would be adjudicated by the state to the basic industries--and sugar producers--so that the firms could make up for their deficiencies and sell their products locally at international prices.

The initial cost of the system amounts to \$1.63 billion in direct subsidies and some \$540 million in tax rebates for exports, as well as \$200 million in tariff reductions.

The program is to be financed through the elimination of the rest of reimbursements for exports, which would free \$780 million, and through an additional gasoline tax of 40 percent, to bring in some \$1.3 billion.

The system suggests the elimination of restrictions on the use of temporary admission and the expansion of the export pre-financing system. It also proposes that there be no modification of the withholding of the price of fuel, and that there be an increase in the price of gasoline, or that of gasoline, kerosene and gasoil, to raise the Treasury's revenues to be used for financing the system, without causing any damage to Government Oil Deposits (YPF).

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DEFICIT SURPASSES 18 TRILLION PESOS

Buenos Aires LA PRENSA in Spanish 3 Dec 81 p 4

/All figures rounded off to two decimal places/

[Text] The treasury deficit over the first 10 months of the year was 18.17 trillion pesos, as revenues totaled 25.79 trillion and outlays totaled 43.18 trillion pesos. The October deficit was 2.74 trillion.

The deficit has been financed as follows: net use of domestic credit, minus 2.73 trillion; foreign credit, 6.46 trillion; net use of advances, minus 202.11 billion; Central Bank financing, 15.76 trillion; amortization of other debts, 2.42 trillion; unified fund of official accounts, 1.26 trillion; cash movements, minus 285 million; adjustment bonds [bono compensacion], 319.42 billion; debt cancellation documents, 156.84 billion; Law 22,229 advances, minus 12 billion.

Revenues

Budgetary revenue totaled 24.76 trillion pesos, of which 24.71 trillion are current account and 42.04 billion are capital account. Other revenue totaled 247.55 billion pesos

Within current revenues, tax receipts totaled 22.47 trillion pesos, while contributions to the social security system and FONAVI [National Housing Fund] totaled 8.11 trillion.

The following taxes yielded the largest amount of receipts: value added, 9.33 trillion; import duties, 5.69 trillion; fuel taxes, 4.2 trillion; unified internal taxes, 3.31 trillion; profits taxes, 3.19 trillion; business capital tax, 1.59 trillion; stamps, 1.21 trillion.

Expenditures

Of the total aforementioned expenditures, budget outlays amounted to 38.16 trillion, of which current expenditures hit 34.42 trillion while capital outlays totaled 3.74 trillion. Other expenditures amounted to 5.12 trillion.

Under current expenditures, operating costs entailed 17.12 trillion; debt interest costs, 240.66 billion; transfers to finance current outlays, 11.13 trillion, and transfers to finance capital outlays, 5.92 trillion.

Allotments to Provinces

A total of 5.21 trillion pesos was distributed to the provinces over the first 10 months of the year. The following provinces received the largest amounts: Chaco, 1.1 trillion; Mendoza, 523.31 billion; San Juan, 515.43 billion; Santa Fe, 289.9 billion; Corrientes, 285.66 billion; Santiago del Estero, 277.72 billion; Formosa, 262.33 billion; Salta, 191.77 billion; Rio Negro, 182.49 billion; Jujuy, 174.12 billion.

Contributions to State-Run Enterprises

Contributions to state-run enterprises totaled 2.72 trillion pesos over the first 10 months of the year.

The largest amounts went to the following enterprises: Argentine Railways, 1.63 trillion pesos; National Mail and Telegraph Enterprise, 335.29 billion; Hierro Patagonico Sierra Grande, 275.92 billion; Argentine Shipping Lines, 268.25 billion; Government Coal Deposits, 59.65 billion; Greater Buenos Aires Electrical Services, 30.5 billion; Government Oil Deposits, 22.91 billion; Bahia Blanca Petrochemicals, 15.68 billion; Channel 7, 8.7 billion; Water and Power, 8.18 billion pesos.

Unpaid Payment Orders

As of last 30 October unpaid payment orders totaled 4.46 trillion pesos, of which 4.09 trillion are for current and capital expenditures, with 367.29 billion for operating expenses.

It bears mentioning that the above figure represents an increase of 2.11 trillion pesos over the total unpaid payment orders as of 30 December 1980.

8743

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BRIEFS

LESS CORN SOWN--The corn acreage this crop year will reportedly total 3.76 million hectares, a 6 percent decline from the previous farm year. However, it is 12.6 and 1.4 percent more than the average acreages over the past 5 and 10 years respectively, according to information from the National Service of Economy and Rural Sociology of the Ministry of Agriculture and Livestock. The above figures are the result of comparing the current acreage with the 4 million, 3,338,000 and 3,708,120 hectares during the previous crop year and for the last 5 and 10 years respectively. It was also reported that of the current acreage Buenos Aires, Cordoba, Santa Fe, La Pampa, San Luis, Entre Rios and other provinces account for 1,290,000, 916,000, 531,000, 310,000, 277,000, 187,000 and 249,000 hectares respectively. These figures also indicate that the biggest drop in acreage has been in Buenos Aires, where 1.5 million hectares were planted last year. This year's figure thus represents a decline of 240,000 hectares, 6 percent. Following Buenos Aires as provinces with less acreage are Santa Fe, La Pampa and Entre Rios, with declines of 1.8, 8.3 and 24.3 percent. Cordoba and San Luis were the only provinces that boosted their acreages over the previous crop year, posting a rise of more than 61,000 and 17,600 hectares, 7.1 and 6.8 percent respectively. [Text] [Buenos Aires LA PRENSA in Spanish 27 Nov 81 p 7] 8743

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TEIXEIRA CALLS FOR SETTING OF ELECTION DATE

Rio de Janeiro MANCHETE in Portuguese 28 Nov 81 pp 158-159

[Editorial report by Murilo Melo Filho: "The Time Has Come to Turn the Tables, by Voting"]

[Text] "The time is arriving to turn the tables. I swear to all of you that no threat, no bomb, no assault, not even this cursed community of information, none of this will stop me. I swear that I shall take all necessary risks in working for the Brazilian people."

This is how Deputy Miro Teixeira ended his speech at a rally held to launch his candidacy for governor of Rio de Janeiro at the New Brazil Stadium in Madureira. The rally was organized by Deputies Jorge Leite, Jorge Moura and Paulo Cesar and was attended by 20,000 persons in addition to various samba schools, representatives of all the municipal directorates of the PP [People's Party], a number of singers, popular artists, political leaders and the champion, Zico, who signed many autographs. Beginning early in the morning, special buses discharged PP coreligionists and members. Special transportation was supplied by the local people.

Greeted deliriously by those in attendance, Deputy Miro Teixeira, who had been preceded by a number of speakers, entered among the throng and was greatly applauded. Drums sounded in his honor and his entrance was accompanied by the refrain: "He has already won! He has already won!"

"Today the people will speak here. We are leaving behind a political regime which burdened the people with 17 years of sacrifice, 17 years of torture, death and hunger. We are now achieving democracy, and this will end up by bringing the people into power through the vote. This country does not belong to those who, in Brasilia, only take steps against the people. The PP is here to preach unity among the opposition. It is not a matter of an electoral campaign just to serve personal objectives. We are here to utter a cry of unity. From this point on, we shall begin the march which will lead us to the construction of a new country. And we are preaching unity to overcome the economic model made against the people. We want elections; we want to set a date for elections as a conquest of the people, not as a gift of the powerful. For the first time since 1965, the people of Rio will have an opportunity to choose a program of government by the people rather than one chosen by the governor. My proposal is to hold popular assemblies

like this one in all the districts of Rio, in all cities in the state, with or without rain, to hear the people declare their priorities.

"We cannot accept a situation where there are sick people without hospitals. It is not possible for 20 million abandoned children to continue to exist without aid, without food, without a roof over their head. We cannot continue to look on as workers are compressed into the trains of the Central do Brasil. It is no longer possible to deny the Brazilian the right to property, land, his own ground. It is time to turn the tables by voting. It is time to demand employment for workers. The time is arriving to turn the tables to place food in the people's pot. It is time to recognize the rights of women. The unions were sidelined because they began to show the workers what they had been suffering through exploitation."

At another point he said: "The oppressors discovered that they were very big but could not destroy the little people. For we are little; but we are many; we are united and we have the guts to fight. The assaults and bombs in central Rio will not stop our march. The moment of truth is arriving. The moment of retribution is at hand.

"In view of all that, the opposition must unite. We need a leadership movement to sew up unity at the base, convening residents' associations, unions, service clubs and student directorates so that the voice of the people may be heard, so that elitist programs will not emerge and so that power does not end up in the hands of those who are not on the side of the people.

"My candidacy stems from the people, for I am one of the people who knows the difference between hunger and loss of appetite. If I win the election, I shall provide the type of government the people need. And the people want agrarian reform, food, schools for the children, free education at all levels, equitable wages for the workers, better remuneration for public employees, freedom and bread."

Miro Teixeira's speech was frequently interrupted by the audience's applause. At the conclusion, he had great difficulty descending from the podium. Mixing with the crowd, he slowly managed to make his way among them. While the samba schools poured out their latest carnival successes, the candidate made his way to his car which he did not reach until a half hour later. He entered the car with his wife and gave the victory sign with his right hand.

8568

CSO: 8142/0393

DAILY CRITICIZES EXCESSIVE CONGRESSIONAL IMMUNITIES

PY111748 Rio de Janeiro JORNAL DO BRASIL in Portuguese 4 Dec 81 p 10

[Editorial: "A Clash of Excesses"]

[Text] Among those who value the parliamentary institution, the feeling with which the news of the conviction of Deputy General Tourinho is received is not one of rejoicing. But it is with misgivings that this event is compared with the carefree reaction of the chamber to an earlier decision of the Supreme Federal Court to put another deputy on trial without the permission of the chamber, for the reason that the crime of which he is accused was committed at a time when he was on leave from the chamber and holding an executive post in Goias.

If these two things are placed side by side, or face to face, they become a twofold confirmation of excesses which should be avoided for the good of democracy. If it were possible to make such a regime really workable in Brazil with a minimum of guarantees of stability, they would certainly be banished from our constitutional life, both by the government and by the congress.

As far as the Supreme Federal Court is concerned, there was simply no alternative in the Tourinho case. The counsel for the defence, a prominent professional, did all he could to cover the naked truth with a cloak of fantasy. He himself, recognized by all to be competent and experienced, knows the complete lack of technical or logical consistency of the arguments used to try to convince the Supreme Court of the suitability—which he called historical—of acquitting the congressman, not because of what was found out at the trial, but because of frequent occurrence of acts of terrorism which have repeatedly occurred until the appalling Riocentro disaster, without it having been possible to trace the authors of any of them, much less to sentence anybody for the irreparable damage done. Placed before a jury, the dramatic narrative would have had effect among the laymen of that body. Before a court composed of consummate masters of law the effect had to be what it was: none.

There is no verdict, whether conviction or acquittal, without a trial.

Verdicts or arrests should take place in connection with a trial. In the cases invoked by the defense during Deputy Tourinho's trial there were no trials because of the very fact that no one was indicted in the respective inquests. In the Tourinho case, the evidence of the crime of which he was accused was there, in the prosecutor's indictment. It is a crime against national security to accuse three

high-ranking military officers of executing a terrorist plan, without the remotest possibility of proving the accusation. What the Federal Supreme Court had to do was only to apply the specific law to the reported fact. After this was done, conviction became, of course, inevitable.

This legal incident has become a historical landmark, not because of the arguments used by the lawyer for the defense, but because it has been a test of the ability of the so-called political class to defeat the current transition period so as to make it possible to set up a system within which the executive branch will no longer need tricks such as the systematic resorting to the national security law in order to obtain satisfaction demanded by the honor of the government in view of the aggressions perpetrated from the podiums of both the Chamber of Deputies and the Senate. Deputy Tourinho made the mistake of hurling slanderous accusations at three generals, protected by the accursed tradition of impunity--based on the unreasonable (and undemocratic) habit of refusing to allow the courts the right to criminally prosecute deputies or senators for whatever reason. He did not, of course, expect that the government would resort to the above-mentioned law, a remnant of the authoritarian period, to deal with the unacceptable and hateful problem.

The Tourinho affair can be considered a historical landmark because it could prompt the more enlightened parliamentarians to awaken this institution to the fact that Congress and the executive branch are living in a state of conflict. It will be impossible to set up a true stable democracy in Brazil until this antagonism is replaced by cooperation and balance between these two state branches. This is why the Tourinho affair is drawing the attention of all true supporters of the democratic system, a system which has once again been put to the test by an unrealistic approach and the lack of common sense.

Meanwhile the chamber shows--both at the level of its executive board and among some of its respectable members, unfortunately possessed by the devil of political and legal romanticism--that it is entirely unaware of the serious nature of the situation: it is preparing to voice its battle cry against the Supreme Federal Court (supreme guardian of the constitution) because it disagrees with the latter's decision to try a deputy charged with attempted murder and battery perpetrated against a bus driver while the deputy was not carrying out his duties as such but held an executive post in the government of his home state. The justice committee is stating the following romantic aberration: it is not the duty of the chamber to "assess the nature of the action viewed as criminal," but to defend the immunities which are privileges of the chamber.

This is the very same argument which has been used to support imperial and class privileges, opposed by the principle which states that all are equal before the law. As long as this exaggerated idea of parliamentary immunity subsists, it will be impossible, because it will be useless, to protest the mechanism by which the national security law is being used excessively to deal with crimes against honor. One excess leads to another and the two work with equal strength against democratic normalcy.

CSO: 3001/49

BRIEFS

GUERREIRO ON GOLAN HEIGHTS ANNEXATION--Brasilia, 15 Dec (AFP)--Foreign Minister Ramiro Saraiva Guerreiro today condemned the annexation of the Golan Heights which was approved by the Israeli congress last Monday. The Brazilian foreign minister told the press that the decision was at odds with UN resolutions, and it will increase tensions between Arabs and Israelis. He recalled that the Brazilian Government reiterated on several occasions its position favoring the return of Arab territories occupied by Israel. Finally, the minister stated that the annexation of the Golan Heights will amount to recognizing the validity of belligerent acts as a means of gaining possession of territory. [Text] [PY161346 Paris AFP in Spanish 0412 GMT 16 Dec 81]

GUERREIRO ON RELATIONS WITH ARGENTINA--Rio de Janeiro, 15 Dec (TELAM)--Brazilian Foreign Minister Ramiro Saraiva Guerreiro has stated that the presidential change in Argentina will not affect the good relations between the two countries, which are based on mutual confidence and on a mature approach to the problems. Local press reports mention today a comment by Saraiva Guerreiro, who has expressed his hope that the relations between Argentina and Brazil will continue at the same level because--he said--such relations are guided by the permanent common interests of our two countries. [Text] [PY152124 Buenos Aires TELAM in Spanish 1323 GMT 15 Dec 81]

GUERREIRO ON UN CANDIDATE--Brasilia, 9 Dec (AFP)--Foreign Minister Ramiro Saraiva Guerreiro has said that the Brazilian Government would like to see a representative of the Third World become elected UN secretary general. He said that Brazil has no specific candidates and is not participating in any campaign for this election. According to O ESTADO DE SAO PAULO, Guerreiro said that Brazil would support the Ghana candidate, around whom the African countries are uniting. For Guerreiro, the difficulty lies in getting the support of the five permanent members of the UN Security Council, since a veto by one of them will prevent the election. [Text] [Paris AFP in Spanish 2040 GMT 9 Dec 81]

GUERREIRO ON PEREZ' ELECTION--Brasilia, 11 Dec (AFP)--The Brazilian foreign minister, Ramiro Saraiva Guerreiro, tonight manifested his satisfaction at the designation of Peruvian diplomat Javier Perez de Cuellar as UN secretary general. The chief Brazilian diplomat affirmed in statements to journalists that the Brazilian delegation to the UN has received instructions to support this designation in the UN General Assembly. The Brazilian Government had recently approved the designation of Javier Perez de Cuellar as his country's ambassador to Brazil, but the Peruvian Senate vetoed him, it was recalled here. The Peruvian diplomat served in the Peruvian Embassy in Brazil during 1953-54, and 1959-60, as a secretary and as minister-counselor. [Text] [PY121645 Paris AFP in Spanish 0428 GMT 12 Dec 81]

FLOODS, LANDSLIDES DEATHS--Rio de Janeiro, 13 Dec (AFP)--Some 16 persons died in this city and in various municipalities of Rio de Janeiro State, victims of landslides caused by torrential rains which have fallen on this region during the past 24 hours, it was reported here tonight. The information divulged by the civil defense secretariat added that in the city of Petropolis, 53 km east of Rio de Janeiro, 11 people died when they were buried under the debris of houses destroyed by landslides. In townships neighboring Rio de Janeiro and in various (precarious constructions on the hills of this city) in Rio de Janeiro more than 200 people were left homeless. [Excerpt] [PY141152 Paris AFP in Spanish 0246 GMT 14 Dec 81]

FIRE AT STATE OWNED COMPANY--Rio de Janeiro, 11 Dec (AFP)--It was reported today that about 15 persons, most of them firemen, have been hurt in a fire which is destroying a 23-floor building where the state-owned mineral Rio Doce Vally Company (CVRD) has its headquarters. A spokesman of the fire department said that a fire of unknown nature started at 0500 local time (0800 GMT) in the fifth floor of the building located downtown on the Graca Aranha Avenue and then spread to the other floors. The spokesman said that the fire, despite the efforts made, has not been controlled. He added that several internal walls of the building are already collapsing. This building, in addition to being the CVRD headquarters, also serves as headquarters to several companies of the Brazilian mining sector and the cabinet of the mines and energy minister, Cesar Cals. [Text] [PY111422 Paris AFP in Spanish 1854 GMT 11 Dec 81]

CSO: 3001/49

LATEST FIGURES SHOW DECREASE IN UNEMPLOYMENT

Santiago EL MERCURIO in Spanish 12 Nov 81 p B2

[Text] The most recent figures on employment and unemployment released by the National Statistics Institute (INE) show that for the last August-October period, the unemployment rate was 8.2 percent of the work force.

While the percentage is somewhat high, it does reflect an improvement over levels recorded during similar periods of recent years. The unemployment rate, which in July-September 1978 amounted to 14.6 percent -- one of the highest since 1978 -- steadily dropped in subsequent periods. In July-September 1979, the percentage dropped to 13, then to 10.9 in August-October 1980, and finally, to the 8.2 figure given for the same months of this year.

It should be pointed out that the current recession affecting the world economy has increased unemployment levels considerably, with rates similar to those of Chile seen in most industrialized nations. The latest figures show that the unemployment rate in August was 7.7 percent in France, 9.2 percent in Holland and 8.6 percent in Italy. In September, Canada had an unemployment rate of 8.2 percent and the United States 7.5 percent. In the United Kingdom, that rate reached 11.3 percent of the work force in October.

Growth in Unemployment

The most significant aspect behind the latest employment figures is a clear trend toward moderate growth of the work force, while the number of persons with jobs is growing at a substantially faster rate.

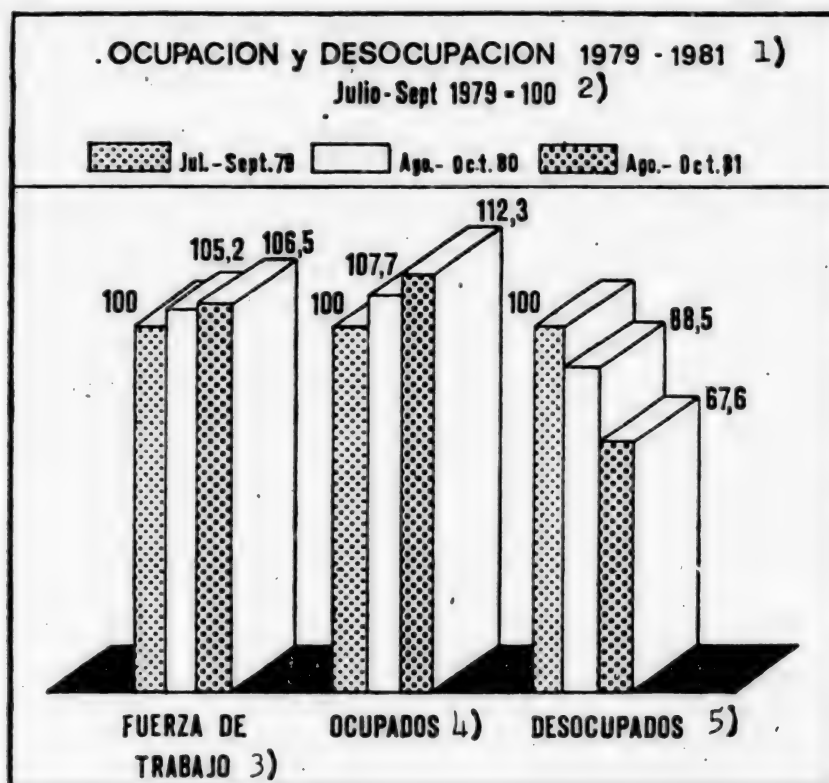
As seen in the graph below, the work force between July-September 1979 and August-October of last year grew 6.5 percent. At the same time, during the same period the number of persons with jobs rose 12.3 percent -- a rate almost twice that of the work force -- meaning a reduction of 32.4 percent in the number of unemployed persons.

The improvement seen in employment is partially due to the reduction in the cost of work for the employer, which has meant reductions in employers' contributions to benefits ordered in recent years.

Minimum Employment Program (PEM)

It should be noted that the drop in the unemployment rate seen this year is not due to increases in the number of persons included in the Minimum Employment Program.

In fact, the number of workers employed under the program is lower, on the average, in 1981 than in 1980. Figures indicate that in May, there were 23,565 persons included in the program in the metropolitan region, while the figure was 28,119 for the same month of 1980.



Key:

1. Employment and Unemployment 1979-1981
2. July-September 1979 = 100
3. Work Force
4. Employed
5. Unemployed

11,464

CSO: 3010/347

VALDIVIA SHIPYARDS FACE SERIOUS DIFFICULTIES

Santiago EL MERCURIO in Spanish 16 Nov 81 p C9

[Article by Nelson Salazar Monasterio]

[Text] Valdivia--Executives of local enterprises generally feel that the Valdivia shipbuilding industry, which became the most prosperous in the country, is facing the greatest crisis in its history. The current economic measures governing the development of shipbuilding activity in the country, implemented in order to expand the national fleet, and especially the tax category worked out for them, produced a negative effect on the shipyards. They have suddenly had to face a drastic choice: shut down or move into other fields.

Large shipyards in the city have shifted to activities unrelated to shipbuilding, such as the manufacture of metal warehouses, silos, structures, girders for bridges, reservoirs and even agricultural machinery. The launching slips that once sent off the huge vessels built in the yards now accommodate fishing boats or passenger boats for careening.

The Valdivia shipbuilding industry was the most active in the country and employed over 3,000 persons. It now employs a total of a little over 170. The largest vessels being built at Valdivia is a small river ferry. Of the seven shipyards that existed until 1976, there are now only two recognized as such by the Valdivia Maritime Authority.

Financing

For Eberhard Kossmann, head of ASENAV [presumably Shipbuilding Association], the crisis stems from the unequal conditions existing in Chile with respect to boats built by national industries and used vessels that are brought in.

"For the private sector, shipbuilding is now very difficult due to the high costs of financing," he said. "Since Chile has no development programs similar to those of countries such as Brazil, Argentina or Spain with respect to shipbuilding for the national fleet or for export, the possibilities are very limited and the main competitor is the used boat that enters the country with very favorable conditions. They even subsidize sales in exporter countries. They give allowances to owners who renew their fleets by selling their used boats for replacement and construction.

"Of the 45 boats that entered the country over the past 12 months and which were within the size falling within the manufacturing line of the national industry,

only six were built in Chile. All the rest entered with allowances for the price or financing," he added.

Technology

Kossmann said that only advanced technology can provide hope of activity for shipbuilding. Such a condition puts one shipyard in a better position than another. He applies this to ASENAV in pointing out that "our chance lies in the building of very specialized boats using advanced modern technology. Thanks to it, we still have a possibility of surviving. Without it, we would have closed down long ago."

Kossmann believes that the only solution to the critical problem depends directly on the president. "We hope that the measures adopted by the president against subsidized production will include the shipbuilding sector. We do not want subsidies, but rather, good financing. That is the main thing."

In addition, he says, a solution must be considered to the problem of payment of the value-added tax to outfitters for construction in the country. The latter do not pay if they import boats of a larger size.

Immar

Another of the large shipyards that existed in Valdivia was Immar. It once employed 800 persons and vessels of all sizes came from its yards. Today only the shells of its huge sheds and workshops remain. One of its sections was auctioned off to a Valdivia firm made up of Enrique Ribera, Juan Antoine and Ramon Lara, who also sold off his shipyard next to the Calle Calle River.

As Lara explained, the industry started up in April, at a time when metal-machine manufacturing was reemerging. Since that time, the situation has become depressed and the company is going through a serious crisis.

The industry, with a capacity of turning out 500 tons of steel a month, has had no activity except for careening and the repair of smaller boats and the manufacture of agricultural machinery and lumbering equipment. Of the 800 persons once employed, only 25 are now working, all of them specialized, rehired following the total paralysis of the industry.

NAVCO [presumably Shipbuilding Company] still survives, fulfilling the latest construction and repair orders, along with Ricardo Arens, which has been intervened and ordered to meet only pending orders.

11,464
CSO: 3010/347

PRIVATE ENTERPRISE SYSTEM HELPS FISHMEAL INDUSTRY

Santiago EL MERCURIO in Spanish 12 Nov 81 p C7

[Text] Vina del Mar--The economic model chosen by the government of Chile has enabled our country to assume the lead in world production of fishmeal, according to statements made by Roberto Verdugo, undersecretary of fishing, who is participating in the 21st International Conference of Fishmeal Producers being held at the Miramar Hotel.

Felipe Zaldivar, president of CORPESCA (Fish Oil and Meal Producers Corporation), had previously welcome the national and foreign participants in the conference and officials headed by RAdm Raul Lopez Silva, intendant of Region V.

The undersecretary of fishing repeated that "Chile is and will remain a country with a maritime destiny. Our interests as a nation are linked in one way or another to the sea and its resources." He then emphasized the subsidiary role of the government, which means a decrease in public spending. "Once that reduction has been achieved, the government will reduce the high tax burden, leaving more resources for the private sector, which is the sector that invests them and consumes them." He also stressed that the main function of the private sector is to encourage the productive processes that make it possible to improve the material and spiritual welfare of the Chilean people. In referring to the national economy, he defined it as decentralized and seeking effective integration with the international economy for the development of those sectors in our country that have comparative advantages.

He stated that "Chilean prices and costs are related to international prices and costs, which means a reordering of the allocation of productive resources so as to achieve growth on solid bases, without any neglect or artificial stimulation of a given sector."

Verdugo went on to say that the substantial and significant increase in fishing production in recent years fits into the framework of this economic policy that grants no type of exemption or preferential treatment falsely promoting the sector."

He also emphasized the extremely important role played by the International Association of Fishmeal Producers in the fields of production, science and technology.

Main Exporter

Carl Arnesen, president of the international group, congratulated Chilean producers for making this country the leading world exporter of fishmeal.

Through the Association, he said, producers from many countries have learned to work together and face technical and scientific difficulties with greater understanding. He said that improving production methods would be a long-term objective.

The conference is being attended by 125 delegates from 18 countries, observers from the FAO and other world organizations.

11,464

CSO: 3010/347

EDITORIAL NOTES INCREASING SOVIET ROL IN AREA

PA150225 San Jose LA NACION in Spanish 8 Dec 81 p 14A

[Editorial: "Soviet Support for Nicaragua"]

[Excerpts] German Shlyapnikov, the Soviet ambassador in Managua, has finally broken his silence regarding the Reagan government's charges against the Sandinist junta. He does so at a dramatic moment, when the [Sandinist] commanders have exhausted all diplomatic channels with the democratic countries of the hemisphere and are floundering under an avalanche of facts and proof that condemn them as pro-Soviet and as a bridge for the supply of war materiel to the Salvadoran guerrillas. Shlyapnikov was preceded some days ago by this colleague, the Soviet ambassador to Costa Rica, who had several belligerent statements published in the pages of this very newspaper. The Soviet embassies in the Caribbean are thus taking positions to which they feel they have a right in a part of the American continent where their country has put a foot in the door and has been able to establish its first enclaves. They therefore come out in the press to debate as equals with the Central American and Caribbean people like brothers in an increasingly common destiny in which the country that they represent will have a decisive role to play.

As was to be expected, at the end of a difficult process during which Nicaraguan Marxism-Leninism was tested, Ambassador German Shlyapnikov has solemnly promised support to the Sandinist government in the event that Nicaragua is invaded by the U.S. Government. It was no longer possible to delay this tacit but eloquent recognition of the USSR's paternity of the Sandinist revolution. It is the least that the Moscow government can do: Promise support that it will most likely never deliver, just as it failed to deliver for Castro when the missile crisis with John F. Kennedy's government occurred.

The USSR begins to emerge as a "party" in the Central American and Caribbean conflict; as a power that is "interested" in the area's political problem; as an ally of Cuba and Nicaragua. The two embassies are becoming increasingly belligerent and are taking positions in the press and in political debates. They no longer refute charges of interventionism lodged against Moscow, but openly declare that their country will support Nicaragua against any invasion attempt by the United States.

If, in the light of this new international political picture in Central America and the Caribbean, no changes are made in the concepts and principles of hemispheric coexistence that are thus threatened, and if the unquestionable presence of the USSR in this part of the continent is not taken into account as a new destabilizing factor, then it is more than likely that the days of democracy in Latin America will be numbered.

CSO: 3010/482

U.S. SEEN TRYING TO WEAKEN NONALIGNED MOVEMENT

Havana GRANMA in Spanish 29 Oct 81 p 6

[Article by Joaquín Rivery]

[Text] the United States seems to have openly launched its hysterical and cynical policy of blackmail against the Nonaligned Countries Movement with an attempt to weaken the position of that serious and vigorous international organization of the so-called Third World.

For a long time the United States has been seriously disturbed by the growing influence of the Nonaligned Countries Movement on the world scene and especially in the United Nations, where it has dealt more than one important defeat to the adventurist and hegemonic aggressiveness of the Yankee imperialists.

In view of the growth of this irreversible tendency, the Ronald Reagan administration is resorting to its superiority and to dictatorial methods to try to deter, at least, the course of history.

Last 6 October, Jeane Kirkpatrick, the reactionary U.S. ambassador to the UN, sent to 61 ambassadors from the nonaligned countries to the highest world organization, an insolent letter, full of lies, in which she tried to tell their governments what position they should adopt, within the Nonaligned Countries Movement, with respect to the United States.

The Reagan-like diplomat practically demanded that the recipients of the letter explain why they supported a declaration by a meeting of the movement's foreign ministers at UN headquarters on 28 September in which they condemned Washington for its aggressive, subversive and destabilizing policy toward certain nonaligned countries.

Specifically, Mrs Kirkpatrick showed her annoyance with that part of the foreign ministers' statement censuring the American attack on Libya and its attempts to destabilize Grenada and Nicaragua, although she also complained about other criticisms of her government.

The letter characterized as "vile attacks" the simple enumeration of cases about which there is not the slightest doubt and indicated to each of the ambassadors that "in fact, Your Excellency, I believe that you do not even believe these vicious lies, just as I do not believe they are a precise reflection of your government's point of view. However, what can we think when your government supports such accusations, because that is what you have done in not separating yourself from them."

After that bit of insolence, quite openly insinuating that each of the governments should change its political position, Jeane Kirkpatrick demanded a reply to her letter: "Convinced that this communication does not represent your opinions, I would very much appreciate hearing from you with respect to the same." Of course, there was no lack of attacks on Cuba and the Soviet Union. The letter contained such stupid statements as that our country is not nonaligned and this it is too bad the USSR was not attacked, and then a gigantic falsehood: That the United States "is not invading or occupying any country, nor does it denigrate the independence of any country."

What, then, can one say about the Dominican Republic or Vietnam? Were they not cases of invasion and occupation? Does the United States not denigrate the independence of the Palestinians, Nicaraguans, Grenadans, Salvadorans, Angolans and Namibians by encouraging subversive groups, denying rights and economically attacking those peoples?

It seems as though Kirkpatrick and Reagan have not read, nor are they acquainted with, the long history of misdeeds of all kinds perpetrated by Yankee imperialism on all continents.

But the attack against the Nonaligned Countries Movement by the tactic of addressing the individual countries was not confined to the letter from the sinister ambassador.

On 24 October the U.S. Senate approved a resolution recommending to President Reagan that he consider, in deciding to grant aid to a nonaligned country, whether or not that country approved the 28 September statement by the foreign ministers.

This attitude cannot be seen as directed solely at blackmailing those who had something to do with a specific document; rather it is a cynical and ponderous weapon of major scope: To try to undermine the unity of the Nonaligned Countries Movement, to damage its efficacy through the purchase of one or another of the governments, and to undercut its anti-imperialist position. In the end, this is nothing more than applying the theory of using food "aid" as an instrument of Yankee foreign policy.

Both things--the letter and the resolution--are intended to try to achieve with fascist brutality what the United States has not been able to do by any other means in 20 years.

The Nonaligned Countries Movement is sticking to its principles and is a standard-bearer in the struggle for the establishment of a new, equitable and just international economic order; it is fighting tenaciously against the arms race, for peace, detente and peaceful coexistence.

Those principles are a barrier to the Yankee imperialist policy and for that reason the movement is a thorn in the side of the American fascistoids. That is the root of their hatred of the movement and of their divisive and authoritarian attitude.

8735

CSO: 3010/303

FMC EXPRESSES WILLINGNESS TO DEFEND REVOLUTION

Havana GRANMA in Spanish 29 Oct 81 p 1

[Declaration of Cuban Women's Federation]

[Text] With their decision to defend the socialist fatherland to the very end of their lives, the women of Cuba have demonstrated their support for their commander in chief's stirring remarks at the close of the Second Congress of the Committees for the Defense of the Revolution [CDR].

We are willing to confront the imperialist attacks, whatever they may be, calmly and with dignity, and to preserve the victories of our people and the present and future of our children.

We are aware of the seriousness of the international situation, of the effects of capitalism's economic crisis; we know that the fascist threat is hanging over humanity and that imperialist hatred of our people is without limits. To these realities we reiterate with deep pride our support for the brave words of our commander in chief, for each of his statements. We will never surrender any of our principles!

No matter what hardships we must accept, no matter what sacrifices we must face, nothing and no one will make us retreat a single step; we trust in our party, and under Fidel's firm leadership we will continue forward, fighting the enemy without quarter.

We stand ready to fight, in any circumstances. The warm enthusiasm of the marches of the fighting people, of the heroic history of this people which can never be defeated, beats in our hearts. Yes, we will live for our revolution, or we will die along with it.

Every Cuban woman--peasant, worker, professional, intellectual, student, housewife--every Cuban woman will make of her home, or her work or study center a trench in defense of the revolution. Like the Mambis, like the guerrilla women of the Sierra and the underground fighters, we will fight the enemy to victory. Take up your burden, women of Cuba, in saving, production and defense, cornerstones of the socialist fatherland.

Long live our revolution!

Long live our party!

Long live Fidel!

Commander in chief, give the command!

DOMESTIC TRADE OFFICIAL DISCUSSES NEW EATING SYSTEM

Havana JUVENTUD REBELDE in Spanish 27 Oct 81 p 2

[Interview with Jorge Luis Valenzuela, director of the Department of Public Eating Facilities, by Ivon Chong; date and place not given]

[text] To respond to a question as to why all the workers' eating facilities are not placed under the Optional Eating System, JUVENTUD REBELDE interviewed Jorge Luis Valenzuela, director of the Department of Public Eating Facilities, Ministry of Domestic Trade.

"As stated in the document issued on the subject by the Cuban Communist Party [PCC] Politburo, implementation of the Optional Eating System is the priority of the following sectors of the economy: Agriculture--but not the sugarcane sector, construction, light industry, food and transportation (specifically ports), and SIME [Iron and Steelworking Industry]," the leader began.

"To date," Valenzuela continued, "there are 1,110 worker restaurants under this system, which benefits 129,700 workers throughout the country. By the end of this year, it is hoped to have 2,000 facilities, taking into consideration the program which has been set up."

As to why the system does not apply to all the restaurants involved, Valenzuela replied that "at this time the available human and material resources must be directed to the priority centers to comply with the party leadership's agreements.

"To implement the program," he said, "we must first study the establishment, evaluate whether or not it meets the required technical conditions, and then train the personnel working there with a view to good service; finally they are given the documents, recipe manual and price list, along with the necessary authorization.

"The foregoing requires the entire group to direct its attention at this time to priority activities, to satisfying the mealtime needs of the workers who are directly involved in production.

"When that team realizes its goal of 2,000 restaurants under the plan, then it will undertake to extend it to other sectors which are equally important; it is hoped that within the 5-year period, all 10,000 restaurants in the country will be under this system.

"The Departments of Public Eating Facilities in the Directorates of Restaurants in the Provincial People's Governments are responsible for this activity, and Villa Clara, Matanzas, Santiago de Cuba and Camaguey have done the best work in this area. In the City of Havana, because of its peculiar characteristics, the process has gone more slowly."

With respect to how the plan is working, Valenzuela responded that "it is the first organization measure to be applied in the country's workers cafeterias with very positive results, since with the same resources and without any type of investment, there has been an increase in food consumption by the workers, and the rate of waste has been reduced."

"Wherever the system is used, an obvious saving in raw materials has been noted; thus there is better utilization of resources as the result of better planning; fewer meals are thrown out because the cooks know the day before how much food to prepare."

"The consumers select the menu they wish, according to their taste. They eat what they really want and not whatever is given to them, as was the traditional method."

Another important thing to be emphasized, Valenzuela added, is a saving of labor for the cook, who must prepare more dishes, thus getting away from the daily routine; his function again has the value and prestige it once enjoyed in society.

Asked about prospects for implementing the system in school cafeterias, he answered that pilot programs are being tried out in some centers which have their own kitchens, but this is quite difficult, since the students do not take a balanced diet into consideration, but rather choose the dishes they prefer, without thinking of the importance of eating foods from the various groups.

"For our department, the most pressing thing with regard to students is to solve the problems in the cafeterias: Chiefly, adequate transportation of those who consume the meals and particularly better utilization of available technology; to see that facilities are improved in the student sector and that the food is of better quality, so that children and youth may receive, at their centers, a more varied menu and one which is more to their taste."

8735

CSO: 3010/303

COMPOSITION OF YOUTH TECHNICAL BRIGADES NOTED

Havana JUVENTUD TECNICA in Spanish Aug 81 pp 44-45

[Article by Mercedes Labrada, Department of Scientific-Technical Activities, UJC National Committee: "Organizational Forms of the BTJ"]

[Text] The current 5-year period opens up new perspectives for work, and therefore the possibility of greater successes for the activity of the Youth Technical Brigades [BTJ]. This involves transforming some of the organizational forms to bring them into conformity with the changes that have taken place in the economic and social activities of the nation.

The Fourth National Conference of the Youth Technical Brigades, held in 1979, adopted a number of decisions concerning the need for the brigades to establish mechanisms and organizational procedures for developing their work in accordance with its specific objectives and content.

In its analysis of these problems, the conference established that the BTJ do not constitute a rank-and-file committee of the UJC [Union of Young Communists] and that their style of work must therefore be individualized.

The conference also evaluated the performance of the UJC during the most recent period, emphasizing the urgency of intensifying all their organizational activity on the basis of an enrichment of the content of specific tasks.

Labor Agreements

These agreements are established by mutual agreement between the brigades and the respective administrations, and specify the tasks that must be carried out in support of the economic activity in the fields of production, services and education; activities in respect to advanced vocational and technical training; activities in respect to publishing; utilization of foreign technical advisers; studies to be submitted to the competitions sponsored by the National Council; and other studies in which the administration participates in one form or another.

It is very important that these agreements specify in a clear and concrete manner what is going to be done; within what period of time; who is going to do it; and the periods of control and inspection. Moreover, there must be a clear definition

of the obligations of the BTJ and the administration in respect to fulfillment by each party of the agreed-upon tasks. The agreements also contain an open-end clause which will make it possible to incorporate new figures pursuant to mutual agreement.

In the course of visits made to more than 60 brigades in the provinces of Pinar del Rio, Villa Clara and Holguin it was discovered that the agreements are very general in nature and that the guidelines which should be followed are not set forth correctly. Important undertakings in support of the economic effort, however, are being carried out in the collectives visited, although in other cases these activities are not covered in the agreements.

Youth Technical Teams

To carry out the tasks agreed upon, each brigade shall organize its members into youth technical collectives, or teams, organized in such a way that they can undertake their tasks on the basis of their knowledge, experience, involvement with the problem at hand, and so forth.

These teams, or collectives, are not permanent in character and are disbanded once the task is completed.

Annual Schedule

The schedule sets forth the tasks which the brigade is to carry out and which for their execution require the presence of all the members. These tasks comprise, among others, the drafting of the agreement itself; the meetings; the competition for the "Architect of the Future" seal; the preevaluations of the individual and collective emulation; and the Annual Conference.

The agreement and the schedules jointly replace the annual and monthly plans of the brigades and by virtue of their individual characteristics have other objectives that are differentiated from those of the plan, hence the need for these characteristics to maintain their individuality.

Annual Conference

One of the basic objectives of the annual conference is to evaluate the current status of fulfillment of the tasks which the BTJ have undertaken to carry out, with emphasis on the agreements designed to enhance performance in the various sectors of their work.

The conference will also analyze the status of fulfillment of the labor agreements established with the administration, and will propose concrete measures designed to assist in carrying out these agreements efficiently and also to perfect the agreements that will be established in the future.

There will likewise be an exchange of experiences with respect to the results of the creative activity of the brigade members during the year or period in question, and an analysis of the problems relative to the practical application of these results in the corresponding center.

Also in the course of the annual conference, the president and vice president of the brigade shall be elected or confirmed in an open and public election, in both cases by a simple majority of votes cast.

"Balance Sheet" Processes Replaced

The annual conferences of the BTJ will stimulate young people to obtain positive results in their creative activity, including those who are nominated for the "Architect of the Future" seal, and will make the final evaluation for the "Standard Bearers of the Technical Revolution" collective emulation.

The new agreement will also be signed, following the "scientific-technical days" or other activities.

It is recommended that invitations be extended to the administrative entities, the PCC [Communist Party of Cuba] and CDR [Committees for the Defense of the Revolution], and also the entities that work in cooperation with the BTJ.

This activity replaces the balance sheet and election procedures that were followed previously.

Change of Structure

The administrative structure of the brigades has been changed to bring it into conformity with these changes that are taking place in the organizational activity of the BTJ. The new administrative structure is as follows:

1. A president.
2. A vice president.
3. Other members--as determined by each brigade--who shall each be responsible individually for one important task of the annual plan such as the construction of replacement parts that are in short supply; assistance to the "circles of interest" and the work of foreign technical advisers; and so forth.

10992

CSO: 3010/373

NEED FOR QUALITY CONTROL IN WORK EXPLAINED

Havana JUVENTUD TECNICA in Spanish Aug 81 pp 32-33

[Article by Rosario Fernandez Jaimerena of the Publications Bureau, CEN (State Committee for Standardization): "Why Quality Control?"]

[Text] On many occasions our Revolutionary Government and our party have urged the workers to improve the quality of the performance of their services, for quality work is an indispensable condition of economic progress and the basic prerequisite for the creation of more goods to satisfy the growing needs of the population.

Our aim, with this article, is to broaden and (why not?) to clarify the current concepts of quality and its control, for the success of a product or a service depends on quality control.

We have heard a lot of talk about quality, for the subject is debated often. Sometimes--to illustrate the concept in question--we cite the good reputation of a particular brand, or the advantages we derive from a particular product. We all, in fact, know, sense and have taken to heart the concept of quality, as that feeling of satisfaction which the characteristics of a given product or service arouse in the consumers--characteristics that may relate to the appearance, durability, safety or convenience that the product is able to provide, and so forth.

Quality means all this and something more. It is "the complex of characteristics of the products or services which determine the ability of these products or services to satisfy the requirements of the use or application for which they were intended."

In order for a finished article to have the required quality we must investigate and study the process of its manufacture--a process that is composed of men, machines and materials. The fact is that in order to achieve consistent quality, good intentions and the desire to be more productive are not enough; it is also necessary to understand the definitive technical norms, those documents in which the quality of a product or service is concisely specified and planned.

It is essential that there be no variation in the characteristics of the raw materials; that there be no fluctuations in the degree of training of the personnel operating the machinery; and also, that strict vigilance be maintained, at each step of the process, over compliance with technological discipline--all of which will redound to the benefit of the final quality of the product. Do you know how this is achieved? Through quality control.

Quality control is the complex of activities that are designed to ensure the quality of products by reducing the number of irregularities that may occur in a given production process and maintaining that quality within the parameters set forth in the technical standardization documents.

This is not just a problem of modern times; it has been a continuing imperative of the production processes.

Until late in the 19th century, quality control was exercised by the worker himself. This circumstance was due to the fact that generally speaking the worker had the responsibility for the entire process of manufacturing the product.

By the dawn of the 20th century this activity was becoming more complex. The modern factories began to group their workers in accordance with the similarity of their tasks; in other words, production was becoming specialized and more complex.

The current concept of quality control embraces all the stages through which the product passes, from the design and discussion of the product to its acceptance by the consumer. The exercise of this control--which is directed toward ensuring quality in each of the links of the complex production chain--is what we call "total quality control."

In addition to the inspection of the raw materials, products in the course of production, and finished products, quality control involves--and coordinates its activity with--other production fronts such as technology; instrumentation; the supply of materials; costs; and so forth. In the process of manufacturing shoes, for example, quality control is present all the way from the strength tests of the leather and the measurement of the viscosity of the adhesive to the separation test of the soles of the finished shoe. All this is done without obviating the control which is exercised in the design stage; it is, in other words, a verification of that initial control against the technological documentation employed.

The exercise of quality control has a direct effect on productivity, in that the quantity of suitable products is increased. The degree of satisfaction of the basic necessities is increased without involving any increase in the consumption of raw materials, in the size of the labor force or in the tempo of production. Moreover, increasing the life of an article results in a better utilization of resources and social productivity.

The role of quality control is not one of counting--at the end of each production run--the defective articles and discarding them. Modern technological processes are on an extraordinarily massive scale; they consequently require a mechanism that is capable of giving a warning when something is not going right and simultaneously correcting the anomaly in question. This is the preventive aspect of quality control.

Within the framework of the steps being taken to establish in our country the National System of Standardization, Weights and Measures and Quality Control (SNNMCC), quality control is accordingly one of the basic links in this chain, inasmuch as it becomes in effect a means of strengthening the system itself; moreover, this control is the mechanism whereby the quality of the product is evaluated and certified.

It should be emphasized that standardization, and the precision measurements that are essential in each process, are also essential to the attainment of a high level of quality. In fact, these three disciplines interact simultaneously.

All that has been stated above, however, is not sufficient to enable a production process, or a provision of services, to be rated as being of good quality; it is also necessary that there be developed--in each worker, in each cadre--a broad and profound awareness of the significance of this question. Only in this way will quality be a tangible reality that will enable us to carry out economic development--the indispensable foundation for the construction of a socialist society.

10992

CSO: 3010/373

BRIEFS

BOMB EXPLOSION IN NICARAGUAN PLANE--Mexico City, 12 Dec (NOTIMEX)--An explosion occurred this morning on board a 727 jet with the following registration: YN-BXW. The jet, which belongs to the Aeronica Airlines of Nicaragua, was standing on the apron at Mexico City's international airport. Three persons suffered burns and two more were overcome by the smoke. According to the preliminary investigations carried out by the airport authorities, the National Security Directorate and the police of the Banking Sector [Policia Bancaria], the explosion was caused by an explosive device that had been placed in one of the suitcases. When the device went off it destroyed a third of the seats in the back of the aircraft. According to remarks made by the crew members, the aircraft had delayed its takeoff and that they would have been 50 minutes out of Mexico City flying over Salvadoran territory with 117 passengers on board if the plane had not been delayed. The Nicaraguan ambassador to Mexico, Also Diaz Lacayo, arrived at the airport 15 minutes after the explosion to inspect the damage caused by the explosion. Visibly angry, he refused to make any type of statement. [Excerpt] [FL141230 Mexico City NOTIMEX in Spanish 2205 GMT 12 Dec 81]

NICARAGUANS ARRIVE TO STUDY PLANE--Mexico City, 13 Dec (NOTIMEX)--It has been reported from Mexico City's international airport that high ranking officials from the Nicaraguan Transport Ministry arrived in Mexico today to study the causes of the explosion that occurred yesterday in a Nicaraguan aircraft. Aeronica, Nicaraguan Airline (Lanica) belonging to Anastasio Somoza Debayle, this new airline began operating 30 days ago with only one Boeing 727 jet. [as received] The Nicaraguan enterprises reported this morning that due to the repairs that have to be carried out, the aircraft will not be able to operate for 15 days. All passengers for Managua will have to make reservations with other airlines. The attorney general's office and the General Directorate of Civil Aeronautics will release the results of the investigation that is being made to determine the cause of the explosion. Five persons were injured and an estimate of the damage has not yet been completed. [Text] [FL141330 Mexico City NOTIMEX in Spanish 1950 GMT 13 Dec 81]

CSO: 3010/480

ECONOMIC COOPERATION WITH CENTRAL AMERICA

Caracas EL DIARIO in Spanish 23 Oct 81 p 8

[Article by Arturo Castro: "Loans Linked to Central American Conflicts"]

[Text] International cooperation among nations, be they rich or poor, is an increasingly inevitable fact of life. There are various forms of cooperation, from the ones outlined at international organizations such as the UN, OPEC and others, to the bilateral pacts that individual countries hammer out.

The world's sociopolitical and economic evolution has shown that cooperation among nations, regardless of the humanitarian motivations involved, has almost always been marked by interests that are part of what has come to be called geopolitics, whereby each country, whether large or small, tries to maintain a certain area of influence that will enable it to keep neighboring nations, especially the developing countries, at a similar political and economic level to its own, while the major powers try to preserve their influence at the hemispheric and extracontinental level.

With these considerations in mind, Venezuela over the years has broadened its influence on the continent, especially in Central America, the Caribbean and the Andean region. There are various reasons for this. On the one hand, the country's enormous energy resources have made it one of the main suppliers of oil to the region, which, in general, does not have as much energy as it needs. On the other, Venezuela's almost 25 years of democracy have given the country a continentwide prestige; therefore, the region listens seriously to what Venezuela has to say, and various nations have turned to it for economic and political aid. Venezuela has not wasted opportunities to broaden its influence.. The previous administration took an active role in Panama's struggle to win back its canal and supported the Sandinists who overthrew Anastasio Somoza in Nicaragua. Today, the situation is no different. Central America is a region in ferment. Nicaragua, El Salvador, Honduras, Guatemala and now Belize are struggling for economic and political stability, and Venezuelan cooperation has gone out to them, as well as to the rest of Central America and the Caribbean.

Venezuela provides a variety of aid to Central America, ranging from the training of nurses to energy cooperation programs and support for agriculture, livestock raising, industry and the development of social infrastructures in various countries. EL DIARIO ECONOMICO has tried to determine the extent of Venezuelan

cooperation in the area, in what fields it has been provided and how it compares with the cooperation lent to the region in the past.

Central America as an Investment Target

Guatemala is the Central American country that has requested the most Venezuelan economic assistance. In December 1974, the countries signed a cooperation agreement totaling 563,770,000 bolivars, almost all of which had been delivered by September 1980, with 449,870,000 bolivars converted into a long-term loan. In August 1981, Venezuela and Guatemala signed another cooperation agreement under which the Central American nation was furnished 124,490,000 bolivars. This brought total loans to Guatemala to 688,260,000 bolivars, and this figure is expected to rise by another 124,490,000 bolivars when a third cooperation pact is signed.

The loans were requested to move ahead with work on the Chixoy I, Aguacapa and Chixoy II hydroelectric plants, which are going to cost close to 450 million bolivars. Another hydroelectric project is the Pueblo Viejo powerplant, which the Venezuelan Trust Fund of the Inter-American Development Bank is financing to the tune of \$35 million. OPEC has also concluded a \$1.75 billion loan program with a payback period of 25 years. In addition, the two countries have signed cooperation agreements in connection with the oil development going on in Guatemala.

The Central American country receiving the second largest amount of Venezuelan aid is Panama, with which two cooperation agreements have been signed, with a third under study. The first agreement was signed in December 1974 in the amount of 463,390,000 bolivars, \$346 million dollars of which was converted into a loan. A second cooperation agreement, totaling 193,100,000 bolivars, was signed in July 1981, and a third agreement, estimated at 197,760,000 bolivars, is on tap. With the proceeds from these loans Panama will finance the Bayamo I and II hydroelectric projects, the La Fortuna hydroelectric powerplant, the construction of the Tocumen International Airport, the Vacamonte fishing port and several agricultural and livestock development programs. In addition, the Venezuelan Trust Fund, part of the Latin American Development Bank, lent Panama \$30 million to complete the La Fortuna Hydroelectric Plant.

In third place is El Salvador, which under the first cooperation agreement received 450,870,000 bolivars to finance hydroelectric and sugar projects there. A second agreement was later signed under which El Salvador received 120,540,000 bolivars, and a third pact is scheduled to be signed for a total of 131,840,000 bolivars. The Venezuelan Trust Fund, for its part, lent El Salvador \$33 million for hydroelectric development.

Under bilateral agreements with El Salvador, the Venezuelan Central Bank has deposited close to \$30 million there in fixed-term accounts to help resolve the nation's balance of payments deficit and liquidity problems. El Salvador also received an OPEC deposit of \$1.75 billion in 1977 to offset its balance of payments deficit. As far as exports to El Salvador are concerned, in July of this year Finexpo approved a \$1 million line of credit for the Salvadorans.

Nicaragua began receiving major amounts of aid for its reconstruction immediately after the conclusion of the war that brought the overthrow of the Somoza dynasty. A cooperation agreement was signed in 1981 for 108,230,000 bolivars, on top of the 306,910,000 bolivars that had been granted the country in 1974. A scheduled third cooperation agreement will provide Nicaragua a 115,360,000 bolivar loan. For its part, the Venezuelan Trust Fund has given Nicaragua \$45 million in the form of industrial loans and long-term convertible deposits. In addition, under a bilateral program the Venezuelan Central Bank has provided the Sandinist republic with a total of \$40 million, while OPEC has granted a \$20 million loan payable in 15 years at an interest rate of 4 percent over 10 years. The cooperation being provided Nicaragua is much more extensive if we include the large-scale technical, cultural and energy advisory assistance that the nation has been receiving in recent years.

Cooperation agreements with Costa Rica have also entailed a major transfer of money. The initial agreement furnished 351,595,000 bolivars, which was used for hydroelectric, agricultural and livestock development and the construction of the Juan Santa Marta Airport, fishing ports and roads. Under a second cooperation agreement, Venezuela lent Costa Rica 115 million bolivars, and a scheduled third agreement entails an outlay of 123 million bolivars. Through the IDB Venezuela gave Costa Rica \$33 million for an industrial fishing development project and the construction of the Corobici Hydroelectric Powerplant. Under a bilateral program the Venezuelan Central Bank deposited \$70 million in Costa Rica and granted a \$20 million loan to help Costa Rica's balance of payments. OPEC lent the country \$3 million for the Siquirres highway development.

In last place is Honduras, which under the first cooperation agreement got 386,240,000 bolivars for the development of forestry programs and the construction of Puerto Castillo. Under a second agreement, Honduras received 88,760,000 bolivars, and a third pact is expected to total 99 million bolivars. Twenty-five million dollars was transferred to Honduras through the Venezuelan Trust Fund for the Olancho industrial project; \$15 million for the Piedras Azules cement plant; \$5 million for the development of the Plama Africana, and \$500,000 for export financing. In addition, the Venezuelan Central Bank transferred \$4 million to Honduras to finance the country's balance of payments, and OPEC provided \$6 million for hydroelectric projects and the balance of payments.

Major Interests in Central America

Venezuela's exposure in Central America currently exceeds \$8 billion, all of which is long term. Because of their major economic crisis, the countries of Central America, in spite of their current indebtedness, must continue to take out loans to meet their basic needs, and the country with the greatest lending capability is Venezuela.

The largest amounts of loans were granted in 1974, when Venezuela was in the midst of the oil boom on the energy market. In any case, the nation's interests in the area have grown considerably, and Venezuela is extremely important for the region's political and economic future, inasmuch as its loans are earmarked for a zone marked by political and social instability.

PLANS FOR IRON, STEEL, PETROCHEMICAL INDUSTRIES DISCLOSED

Caracas EL DIARIO in Spanish 23 Oct 81 p 20

[Article by Susana Pezzano]

[Text] Goals for the iron and steel industry call for the production of 9 million tons of steel in 9 years time. Hopes are centered on the fourth plan of the state-run enterprise SIDOR [Orinoco Iron and Steelworks], which will boost output of steel billets from 1.2 to 2.8 million, according to plans for 1983.

Skepticism has taken hold of even its directors, in light of the financial crisis facing the enterprise, which is losing more than \$250 million a year and looking at heavy expenses in the near term.

The Acelcar plant is also scheduled to start up in 1983. It will have a production capacity of 480,000 tons of liquid steel, which will put Venezuela in a vanguard position in the Andean Pact.

Far from the Ciudad Guayana enclave, the Zulia Development Corporation (in the northeastern corner of the country) is spurring on the Zulia coal and steel project, which is based on the development of three mines from which 4.5 million tons of coal are scheduled to be extracted within 11 years.

The ancillary iron and steel program aims at the production of 1.2 million tons of steel a year by the end of the 5-year period, making a total of 5 million tons earmarked for domestic consumption.

There have been delays in both programs, however, due to financial difficulties. Estimates are that each second of delay costs Venezuela \$13.

The third pillar of the country's future development is the petrochemical industry, a sector that emerged in the mid-1950's and has just now begun to yield gratifying results after 25 years of financial losses.

Its 1980 sales were triple those of 1978, rising from \$62.5 to \$198 million. Industry directors attribute this to the reorganization of plants, which culminated with the creation of Pequiven as a subsidiary of the state-run holding company Petroven.

The high density polyethylene plant is scheduled to go on line in 1982; it will be able to produce 60,000 tons a year by utilizing the country's natural gas reserves and oil refining capacity.

Our hydroelectric potential ranges from 25,000 to 45,000 megawatts, according to the latest statistics from the National Energy Council.

The use of water power in the electricity industry will continue to be a priority until the end of this decade.

8743

CSO: 3010/438

MEP, MIR RECOGNIZE LEFTIST INDEPENDENT MOVEMENT

Caracas ULTIMAS NOTICIAS in Spanish 29 Oct 81 p 8

[Text] Last weekend, the Pro-Unity Leftist Independent Movement, which is coordinated by Antonio Jose Herrera Oropeza, Trino Alcides Diaz, Yolanda Jaimes, Oscar Viloria, J.R. Nunez Tenorio and Anibal Nazoa, in the family residence of Oropeza, met with the secretary general of the MEP [People's Electoral Movement], the former candidate for the presidency of the republic, Jesus Angel Paz Galarraga, and the primary presidential candidate of the MIR [Movement of the Revolutionary Left], Deputy Moises Moleiro.

The meeting was attended by a qualified representation of the group of leftist personalities without party activism, including economist and parliamentarian Domingo F. Maza Zabal; author and university professor Elio Gomez Grillo; Carmelo Chillidas, deputy rector of the Central University of Venezuela [UCV]; Ildefonso Pla Sentis, secretary of the university; sociologist and criminal lawyer Rosa del Olmo; popular singer Ali Primera; author and newsman Juan Paez Avila, present director of the UCV School of Social Communication; retired Gen Francisco Gutierrez; university professor Chela Vargas de Nunez; and attorney and former national leader of the URD [Democratic Republican Union], Narcico Romero.

The meeting began with remarks by Dr Antonio Jose Herrera who, on behalf of the independents, thanked Paz Galarraga and Moises Moleiro for the stimulating words of praise with which the political leaders referred to the Pro-Unity Leftist Independent Movement in the letter by means of which the Coordinating Committee requested a meeting with the group. Herrera said, "It was also an honor for the leftist independents to have a meeting with the top leaders of those political parties, as we were impressed by the sentiments and efforts both organizations had exhibited with respect to unity of the left." Herrera concluded by transmitting three messages addressed to the secretaries general of the MEP and MIR by Dr Rafael Pizani, author Miguel Otero Silva and Dr Joaquin Gabaldon Marquez.

Paz Galarraga

Dr Jesus Angel Paz Galarraga began his presentation by giving an account of the unification processes which had taken place within the Venezuelan left in the last 15 years. He added that in spite the relative lack of success of those processes he wanted to give warning that such processes were totally different from the one initiated in 1979 in connection with the first separate municipal elections which have been held in Venezuela since 1959. "As a matter of fact," he emphasized,

"when we entered the stage of selecting a sole candidate through the process of primary elections with prior registration, we already had had the advantage of the 1979 unification experience." The doctor from Zulia concluded by saying that total unity of the left was possible and necessary and that to accomplish this the independents had to intensify their unification efforts. "In practice," he said, "you can become more effective weapons to fight any antiunity factor which may arise in the immediate future."

Moises Moleiro

The fourth primary candidate of the left and up until a short time ago MIR secretary general began his remarks by subscribing to the positions taken by Paz Galarraga. He said, "Dr Paz was right when he said that this time the process of unification is different from all past experiences. In the first place, the unity which we are now building is the product of a popular feeling which was manifested in the municipal elections. In the second place, this time unity is being accomplished on the left; and it is unlikely that any party will be able to resort to the expedient used by Villalba to divide the New Force because if it does so it will cease being of the left. However, unity is not easy; not only must it be maintained but it must also be made more profound. Therefore, it is very important to have the active presence of the independents in the political life of the left."

The Independents

Finally, dialogue was begun with the independent representatives present during which subjects were covered such as antiunity factors, the government program of the victorious candidate in the primary elections and the sectoring of the Coordinating Committee of the Left by regional subject matter and areas. The meeting ended with a report presented by the independents on the meetings which will be held with other leftist primary candidates and parties and the activities they have programmed for November and January.

8143

CSO: 3010/412

BRIEFS

PEREZ MEETS COMANDANTE CERO--Carlos Andres Perez says that efforts are being made to isolate Nicaragua with a view to bringing it to totalitarianism and issued a warning that in the face of this circumstance the Nicaraguans should be careful not to fall into the trap. CAP said that he feels some concern over the course which the Sandinist Revolution may take in Nicaragua. "Of course, we have to express our thoughts and concern, using as the basis for our charges the harassment of which the Sandinist Revolution is being made the victim." The former president has a premonition that there is a grand plan: not permitting or contributing to the development of a pluralist government, a new democracy, in Nicaragua "but rather they propose to demonstrate that this nation is communist." According to CAP, this isolation is aimed toward the radicalization of the Sandinist movement. "Our fear is that the Nicaraguans will fall into the trap being laid for them."--"Did Eden Pastora, 'Comandante Cero,' leave Nicaragua because of differences with Sandinism? Or perhaps on the instructions of the Socialist International?"--"Never. I am a friend of Eden Pastora, I have great respect for him. I know that he is a completely honest man, a brave man who meets every test. I am not authorized to give the reasons he left Nicaragua and renounced all his duties. Yes, I have talked with Pastora; and I can assure you that he is not a traitor." [Text] [Caracas EL DIARIO in Spanish 28 Oct 81 p 3] 8143

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